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Beirut Bombing At Iraqi Embassy Kills at Least 18

From Agency Dispatches
BEIRUT — At least 18 persons were killed and 95 injured Tuesday when an explosion blew apart the Iraqi Embassy here, security and hospital sources said.
The rightist Voice of Lebanon radio station said an anonymous caller claimed responsibility for the blast on behalf of a hitherto-unknown group identified as the Kurdistan Liberation Army. A sizeable Kurdish community lives in northern Iraq and has fought for autonomy periodically over the last four decades.
The official Iraqi news agency accused Iranian and Syrian agents of responsibility. Iraq is at war with Iran and at loggerheads with Syria, which is ruled by a rival faction of the Arab Ba'ath Socialist Party.

In a report from Baghdad, the Iraqi news agency said 30 persons may have died in the blast at the embassy, a new building on a coastal road skirting southwestern Beirut.
The Lebanese Army said five

TNT bombs weighing 44 pounds (20 kilograms) each "were placed on the rear corners of the building with timing devices set to go off at the same time at midday."
The explosion started a fire and damaged nearby buildings and cars. Half of the embassy building collapsed.
The Iraqi news agency said 30 embassy employees had been rescued. Syrian peacekeeping troops sealed off the area while rescue workers used ropes to evacuate people from what was left of the upper floors and the roof.
Lebanese television said that Iraqi Ambassador Abdel-Razzak Mohammed Lafta was safe, but that the Iraqi consul was in serious condition.

The embassy was one of the most heavily fortified in Beirut. Screens covered the windows, and Iraqi and Lebanese security men guarded the building.
Lebanese-based private armies loyal to Iran and Iraq have been fighting since the spring of 1980.



The Iraqi Embassy in Beirut after the bombing Tuesday, which caused the building to collapse.

Syrians Vow to Retaliate for Golan Annexation

From Agency Dispatches
DAMASCUS — The Syrian media said Tuesday that Israel's annexation of the Golan Heights had wrecked moves toward peace in the Middle East and warned that Damascus would retaliate.
Declaring its 1973 cease-fire with Israel broken, Syria had already warned that the Israeli action constituted a declaration of war that it would counter with "suitable measures."

Western and Asian governments condemned Israel, declaring the annexation invalid and a threat to peace. The Soviet Union called it illegal.
The foreign ministers of the 70 nations of the European Economic Community meeting in London declared the Israeli move "contrary to international law and therefore invalid in our eyes."

Israel reinforced its armed strength in the north Tuesday in what appeared to be a state of readiness for armed conflict with Syria.
Reporters touring the Golan

Heights and northern Israel saw Israeli settlers cleaning out their bomb shelters, and armor and military supplies were seen on roads heading north.
The military command refused to comment on the army's state of readiness or on troop movements, but Lt. Gen. Raphael Eytan, the chief of staff, was called home in the middle of a five-day visit to Egypt.

The Israeli Defense Ministry declared that the army had taken "all necessary steps" against possible Syrian troop movements or guerrilla attacks on the Golan settlements, Israel Radio said.
"As Syrian leaders stepped up a campaign to win international support against Israel, the Damascus newspaper Al-Thawra declared "the move has blown up the foundations of all plans for a settlement and has shut the door in the face of moves for establishing a just and durable peace."
The newspaper said "let those who have taken the decision know

their aggression will not go unpunished and Syria shall retaliate to this provocation with means necessary to protect its territory."
In Beirut, the Palestine news agency reported what it called intensive Israeli military operations in northern Israel and the Golan Heights and said 10 Israeli fighters had flown over the Lebanese capital.

Syria has called for an emergency meeting of the UN Security Council and Tuesday Foreign Minister Abdel Halim Khaddam appealed for support from the Islamic Conference organization, the nonaligned movement and the Organization of African Unity, Damascus Radio said.
Israel first captured the heights overlooking the northern part of the Jewish state in 1967 and retained them after fierce armored battles in the 1973 war.

A spokesman for the Palestine Liberation Organization, whose guerrillas in southern Lebanon fought the Israelis for two weeks in July, said the annexation would increase the chances of war in the region.
The spokesman, speaking in Athens, where PLO leader Yasser Arafat is on his first official visit to a member state of the EEC, said Israel could not have made the decision without encouragement from Washington.
The annexation took place only three days after U.S. special envoy Philip C. Habib, who has visited the region four times trying to defuse tension, said all parties seemed satisfied with the cease-fire he helped to negotiate in July.

As well as being criticized throughout the Arab world, Israel's action has been condemned by the United States and the Soviet Union.
U.S. Secretary of State Alexander M. Haig Jr. said the annexation was not consistent with Security Council Resolution 242, which set out guidelines for a settlement after the 1967 war.

In Moscow, Izvestia branded it an act of "impudent illegality" and said it did not believe Israeli Prime Minister Menachem Begin's state-

ment that Washington had not been informed in advance of the plan.
Turkey and Spain both also criticized the annexation. In Madrid, a government statement said the action was a serious violation of international law and UN resolutions and constituted "a new obstacle in the search for a just, global and lasting solution to the Middle East problem."
In Ankara, a Foreign Ministry statement said Turkey would not recognize what it called a unilateral claim to the Golan Heights.
Turkey is the only member of the Islamic Conference organization to have diplomatic relations with Israel, although Ankara downgraded them a year ago to the level of second secretary.

Switzerland said the action was illegal in international law which does not permit a country to change unilaterally the status of a territory it occupied by force.
In Tokyo, the Japanese Foreign Ministry added to its condemnation a demand that Israel withdraw "as early as possible" from all territories occupied since 1967.

and knowledge of the Soviet Union.
Whether the administration would put pressure on the Russians with moves such as halting the Geneva talks on nuclear weapons, has not yet been decided, reporters were told.
For the moment, the administration's policy is to avoid hard and fast decisions on Poland until more information is available on developments there and until more time has elapsed to see if the Poles carry out their pledge to the U.S. Embassy in Warsaw on Sunday: that the reform movement which began in 1980 would be permitted to continue despite the crackdown.
"Clearly, we want to tread a fine line between taking positions which would incite violence and bloodshed in Poland and perhaps Soviet intervention on the one hand, and avoiding positions which would acquiesce in the repression of the reform process on the other," a senior official said.
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6 Solidarity Members Arrested as Strikers, Warsaw TV Reports

From Agency Dispatches
LONDON — Strike leaders have been arrested in several Polish cities and will face summary trial under martial law regulations, Warsaw television reported Tuesday night.
It named four members of the Solidarity trade union who, it said, had tried and failed to bring the workforce at the Unifra factory in Biogard, and two Solidarity members who organized a sit-in at the country's nuclear research institute Monday.
"In all these cases indictments will be lodged with the courts in the next few days," said the broadcast, which was monitored by the British Broadcasting Corporation.
Promising to bring to justice the men responsible for the country's crisis, the Polish authorities also announced the arrests Tuesday of 32 former Communist leaders.

The biggest new name on the list broadcast by Warsaw radio was Edward Babuch, who was premier from February to August last year. Edward Gierk, a former Communist Party chief, and another former premier, Piotr Jaroszewicz, were also named. Their arrests had been announced Sunday.
Warsaw radio also reported that food exports from Poland would be halted. The radio said that the decision was made by the economic committee of the new military government which met Tuesday to draw up plans for combating food shortages.
The Polish news media also reported the dismissals of a string of local officials and industrial chiefs, including the head of Warsaw's Ursus tractor plant, which was reported Monday to be on strike and surrounded by troops.
In Frankfurt, official airport sources said that Poland had banned all Western air traffic over its territory. Poland closed its airports and banned flights to Poland when it proclaimed a state of emergency on Sunday, but Western flights across Poland had continued until Tuesday.
Travelers reaching Sweden by ferry from Poland, meanwhile, said the situation in provincial

towns was tense and that military traffic was heavy.

There were conflicting reports about Lech Walesa, head of the Solidarity free trade union whose challenge to Communist rule provoked the authorities into imposing martial law on Sunday. Diplomatic sources in Paris said he was under detention in the Warsaw area. But a Polish official in Madrid attending the Conference on Security and Cooperation in Europe said that Mr. Walesa was not detained and was negotiating with the authorities.

Information Spurge
Direct information from Poland was thin because Western news agencies have had their communications from Warsaw cut since Monday.
Diplomatic sources in London

A failure of the Polish crackdown to revive the economy could lead to a default on Poland's loans, analysts warn. Page 11.

It said that reports radioed by Western embassies in Warsaw indicated that the Polish capital was calm and that there appeared to be little trouble between civilians and the military.
According to reports received by the foreign secretary of the Swedish Academy of Sciences, however, there was shooting Tuesday in Warsaw, probably at the giant tractor factory Ursus, which was occupied by workers, and in mining regions in southeast Poland.
Olof G. Tandberg said he had received continuous indirect reports from Polish academy members who had escaped the authorities' dragnet via telephone relays from Moscow and other East European capitals.
"An academy member from Krakow, whom I trust, reported via a friend in Moscow that there had been shooting in the capital and also in the southeast mining region and I received similar reports via Bucharest," Mr. Tandberg said.
The U.S. State Department gave these details of reports it had received on strike action in Poland:

Reports from Mr. Haig's plane were told that, in the administration's thinking, the role of the Russians is, in a sense, irrelevant. The real question, they were told, was whether the crackdown was the start of a longstanding and permanent suppression of freedom, or only a temporary retrogression that will not change "the historic overall trend" in Poland toward greater freedom, something which the administration believes was happening.
As to what will happen, the reporters were told that the crackdown might succeed because of a concern among many Poles about deprivation ahead in the winter months and a growing mood that it was "time to clean the mess up by whatever means."
But working against the leadership, reporters were told, is the movement toward greater freedom in Poland which raises the question for everyone of whether the "tide of history" can be changed by pressure.

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A military truck and personnel carrier were only traffic on the road between Warsaw and Poznan. Civilians were walking since trains and buses were delayed. Travelers reaching Sweden by ferry said the situation in Polish provincial towns was tense.

U.S. Seeks to Prevent Permanent Crackdown

By Bernard Gwertzman

New York Times Service
WASHINGTON — The Reagan administration has decided to use whatever diplomatic and economic influence it can muster, in collaboration with its allies, to prevent the military crackdown in Poland from becoming permanent, a senior State Department official said.
Reporters returning from Brussels on Monday about the plane with Secretary of State Alexander M. Haig Jr. were told that the Western alliance ruled out some time ago the use of military force to counter any drastic action by Polish authorities in Poland, but that the West — particularly the United States — would use diplomatic and economic pressures to persuade the Polish and Soviet governments to resume the process of compromise and negotiation with the Solidarity trade union.
Reporters were told that the United States was determined not to acquiesce in any way, determined not to leave the impression that it accepts the new status quo in Poland.

[In Washington, President Reagan warned the Soviet Union on Tuesday that any intervention in Poland "would be taken most seriously" by the United States

and its allies, the United Press International reported.

[Told by a reporter of a report from Moscow that the Kremlin was prepared to aid the Polish government if it could not quell the unrest, Mr. Reagan replied: "That sounds more like intervention than anything we're saying. That would be very serious. We've said that very many times." He added that the United States would have "to

Tess accuses the United States of interfering in Poland's affairs. Page 2.

wait until we know more" about the situation before any firm policy decisions are made.]
Mr. Haig, who cut short an overseas trip to return to Washington, met with President Reagan at the White House late Monday to discuss tactics for the coming days.

Although Mr. Haig said Sunday in Brussels that there was no direct evidence linking the Soviet Union to the sudden crackdown on Saturday night throughout Poland, it was evident aboard his Air Force plane that Mr. Haig and his aides believe that Gen. Wojciech Jaruzelski, the Polish premier, would not have undertaken the move without the encouragement

and knowledge of the Soviet Union.

Whether the administration would put pressure on the Russians with moves such as halting the Geneva talks on nuclear weapons, has not yet been decided, reporters were told.
For the moment, the administration's policy is to avoid hard and fast decisions on Poland until more information is available on developments there and until more time has elapsed to see if the Poles carry out their pledge to the U.S. Embassy in Warsaw on Sunday: that the reform movement which began in 1980 would be permitted to continue despite the crackdown.
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At Steel Factory, Workers Maintain Their Defiant Stance

Washington Post Service

The gates of the Katowice steel mill, the largest and most prestigious industrial plant in Poland, were blasted Monday with huge banners proclaiming "Strike Until Victory" and slogans denouncing the declaration of martial law.
Inside, leaders of a 15-man strike committee laimed to have the support of most of the plant's 9,000 workers in defying the newly established military council. They said they would reject a deadline of p.m. local time to vacate the premises, despite the fact that army units were known to have been moved to a forest nearby.

Reports from around the rest of the country are largely, but along a 300-mile corridor from the Czechoslovak border to the Polish capital, there was violence Monday that Solidarity's call for a general strike was attracting at least partial support.

2,000 Chained Detailed
The picture that emerged was of workers staging strikes at the big enterprises, including several mines, like public transport and shops functioning normally in the most part. The military presence in the area appeared relatively muted, apart from a convoy of 20 tanks moving toward Warsaw and army movements for the Katowice steel mill.

In Katowice, an industrial center in southern Poland, police had occupied Solidarity regional head-

quarters, although the building remained decorated with posters and Polish flags. Outside, Solidarity activists said that 55 of the 60 members of the union's regional board had been arrested.
They claimed that about 2,000 other factory representatives of Solidarity in the region had also been detained. Although that figure is impossible to confirm, if it is even approximately accurate, the total number of arrests in Poland must run into tens of thousands.
The scene there also revealed what could emerge as a significant political battleground with young male workers largely expressing continued support for Solidarity and harassed housewives wishing a speedy return to normalcy.
At the Katowice steel mill, the strike committee

issued a proclamation appealing to workers to use only passive resistance if the plant was occupied by the army.

The committee chairman, Antoni Kusznier, said that in that case an "Italian strike" would be called — under which strikers would go through the motions of work without producing anything. Mr. Kusznier, who could face a heavy sentence under martial law for organizing a strike, said he was the only member of the Solidarity union's nine-man inner management group at the factory who escaped arrest in police swoops on Sunday morning.

Communications Blocked
The strikers described their demands as the release of all detained Solidarity activists and the end of a communications blockade that has totally undermined the union's once highly efficient information network.
Despite the blockade and restrictions on travel, some information was still being passed from factory to factory by couriers. Mr. Kusznier acknowledged that the army units probably could occupy the mill with minimal resistance from the work force, but he insisted it would be impossible to get production back to normal.

"The army are also Poles. They are the sons of the same workers as we. Will they shoot at me if I refuse to work?" he asked.

Mr. Kusznier's defiant attitude was not shared by a young housewife who was attempting to shop despite long lines outside food stores. Asked if she supported the strike, she replied: "I don't support anybody — except for my two children. I just want to live in peace."

Slogans affixed to the front of the plant attacked the army, which until now has enjoyed relatively high popular support in Poland. Some read "Army Back to the Barracks," "Jaruzelski Traitor to the Workers," "We Don't Want Brotherly Help" and "Jaruzelski Came in a Russian Tank."

The strikers printed a special strike bulletin at the factory, "Free Trade Unionist," which included reports of industrial action elsewhere in Poland. The Lenin Shipyard in Gdansk was reported to be the headquarters of a national strike committee and strikes were reported in half a dozen coal mines in Silesia.

There was also evidence of a strike at the Jastrzembie Manifest Lipcowo coal mine. Now, as in the August, 1980, Solidarity activity, strikers said they had set up an "interfactory strike committee to represent several mines in the region. A strike was also in progress at the Myslowice coal mine near Katowice, but the nearby Sosnowice mine appeared to be working normally.



Two members of the semi-military police patrol in Poznan outside the office of the trade union Solidarity, which is closed.

Troops' Reliability Called Key to Rule in Poland

By Drew Middleton
New York Times Service
NEW YORK — The effectiveness of army rule in Poland will depend on the reliability of conscripted soldiers and noncommissioned and junior officers, according to U.S. and NATO analysts. They expect that the military regime will rely on the internal security forces for initial action against strikers or rioters.

ish leader. The analysts say that most of these officers have close ties with the Soviet military and received their higher military education at Soviet academies.

The decree on army rule seems to hint that its authors took into account the possibility of resistance within the army to moving against civilians.

Chief Safeguards

"People in military service or in militarized service or civil defense who violate military law will face military courts in accordance with regulations applying to soldiers on

active service in times of war," the decree says.

The Communist political commissars in the armed forces and the 80,000 men of the internal security forces and frontier guards are seen by Western analysts as the regime's chief safeguards against a refusal of conscripts to fire on members of the independent union Solidarity.

Only one analyst doubted that the internal security forces were reliable. These troops, which have their counterpart in the KGB, the Soviet security service, form an elite within an army that has itself become increasingly elitist.

The consensus was that these forces had a stake in the continuation of a Communist government in which the army and other services would play a dominant role after the end of the present crisis.

The extent of the duties turned over to the army under the decree is such that many analysts suggested that it would require at least a partial mobilization to fulfill the army's missions.

At this point, an analyst said, the army is unlikely to mobilize reserves who, in most cases, would be drawn from the industrial working class that has provided most of the members for Solidarity.

Analysts in the United States

and abroad said that about a third of the army had entered service since the shipyard strikes of August, 1980, at Gdansk began the political revolution in Poland.

The more prudent course, as they saw it, is to rely on the 12 brigades of the internal security forces, which are armed with tanks, armored fighting vehicles and anti-tank guns.

"We always come back to the central question," a U.S. analyst said. "It is simply whether these conscripts would fire not simply at their relatives, but at representatives of their class, people with similar backgrounds and, like them, a strong Catholic faith."

A British analyst said that enforcement of such restrictions on a people "as independent as the Poles" would require "a far bigger force than they now have available."

Psychological Scars

The Polish military leaders — and the Soviet Union — know that past operations by the military against civilians have left psychological scars on Polish soldiers. When scores of civilians were killed in the riots at Gdansk in December, 1970, there was discontent in the army even though the internal security forces had done most of the killing.

Gen. Jaruzelski, then army chief of staff, said later that "difficult moral problems" had arisen in the service and acknowledged that public opinion was hostile to the military.

"If rioting and strikes break out and internal security forces and the army are unable to halt the disorders, the question of Soviet intervention will arise."

U.S. and British analysts say that they are reasonably sure that Soviet forces in East Germany and in Poland were informed of Gen. Jaruzelski's intentions before the military regime was established.



A Polish soldier standing guard Tuesday near an armored car in the center of Warsaw.

'Yellow Sub' Increases Concern By Danes Over Soviet Maneuvers

By Richard Eder
New York Times Service
COPENHAGEN — Denmark's highest point is less than 600 feet, and the seacoast is a very gradual lowering of the country's flatness into the Baltic and North seas.

There is nowhere for a Soviet submarine to hide off Denmark. The Danes are confident that they are not liable to the kind of incursion that happened in Sweden in late October and that continues to take place in Norway. The Norwegians have detected submerged Soviet submarines far up their fjords, but make no formal protests because, until one of them runs aground, they have no deniable proof evidence to present to Moscow.

The Danes were very angry about the Swedish incident although, since they are people with no illusions about the effect of their anger upon the world, they tended to mask it with humor. The Soviet intruder was immediately baptized the Yellow Submarine, and any discussion of local political attitudes on military matters — they have stiffened slightly — makes its analyses in terms of pre- and post-Yellow Submarine.

The government employed less humor. It joined Sweden and Norway in vigorous protests to Moscow, and the Foreign Minister said that in its arrogance, the Soviet incursion "shows a master-race mentality."

The Ones They Can See

For a number of years, the main concern of the Danish government has been not submerged Soviet weapons, but visible ones. Soviet land-sea maneuvers, formerly held in the Gulf of Finland, have gradually moved west.

The Danes, with their flat and sandy coast, have been observing with some uneasiness between indignation and alarm the regular large-scale Soviet landing operations nearby on the equally flat and sandy Mecklenburg coast of East Germany.

Danish officials say they do not interpret the exercises, and the continual large Soviet military presence off their coast, as a direct threat; yet it leaves an anxiety, and a sense of gnawing frustration. Possibly, they reflect, it is mainly pressure on the Poles, but they also reflect that it has brought their tactical warning time from three or four hours, back when the Russians stayed in the Gulf of Finland, to about 15 minutes.

"We put questions to the Russians," a high Danish security official said. "We say, 'Why do you come so close?'"

"They say: 'This is not a threat

to you, but we are expanding our naval capabilities, and we have every right to be here. But it is not a threat to you."

"We tell them: 'No, we do not say it is a threat. But why do you come so close?'"

"Perhaps it is to show that they do whatever they want, regardless."

Soviet Hospitality

The Soviet naval operation off Mecklenburg and through the narrow Oresund strait between Denmark and Sweden is something that Denmark can do nothing about. This may have given a certain extra relish to something they could, and did, do something about: what is known here as the Soviet Fork-and-Knife Operation.

The term refers to the use of highly sociable and active Soviet diplomats to make friends and influence people, particularly in the Danish parliament and the Danish movement that opposes nuclear arms. The Danish police keep a close eye on the particularly gregarious diplomats, and occasionally succeed in getting them withdrawn or expelled.

There was, several years ago, the case of Stanislaw Chesbotko, who came to Copenhagen in 1976 as a second secretary in the Soviet Embassy. Much of his time was spent in the bar of the parliament, buying rounds for the deputies.

His Danish career ended after an incident in which he was riding in a car driven by a Radical Liberal Party deputy, Meta Ditzel, near Aalborg. According to the newspaper

per accounts that appeared at the time, he remarked to Miss Ditzel that they were being followed by an unmarked police car. She then began a frantic course of evasive action across the Jutland countryside, achieving notable speeds and turns. Miss Ditzel abandoned her parliamentary seat, and the Soviet diplomat was withdrawn.

The most recent incident culminated last month with the expulsion of another diplomat, Vladimir Merkulov. Mr. Merkulov was assiduous in giving lunches and other hospitality to selected members of the Danish anti-missile movement.

Immediately after his expulsion, police arrested Arne Herlov Petersen, a writer and free-lance journalist prominent in the anti-nuclear movement. Mr. Petersen was held for several days and charged with violation of portions of the espionage act. He was released pending trial next March.

The authorities are charging that Mr. Merkulov, through Mr. Petersen, had contributed something under \$2,000 to pay for newspaper advertisements condemning the deployment of U.S. missiles in Europe.

The incident embarrassed Danes in the anti-missile movement. Some of the leaders condemned the use of Soviet money, while a number of intellectuals and artists who signed the advertisements said that they had no idea who was financing them, and that it did not really make much difference.

Russia Charges Washington With Interference

From Agency Dispatches
MOSCOW — Tass on Tuesday accused the United States of interfering in Poland's affairs and said Washington was trying to deepen the country's political and economic difficulties.

Tass directed its accusation chiefly at Secretary of State Alexander M. Haig Jr., saying that he was trying to dictate U.S. terms for the solution of Poland's problems.

Following the declaration of martial law in Poland on Sunday, Mr. Haig called on Warsaw to allow a continuation of liberalizing reforms. This was "nothing but overt interference in the home affairs of that country," Tass said.

It also strongly denounced Mr. Haig's statement that the United States would review its food aid to Poland in the light of develop-

ments there. "This is indicative that Washington is seeking simultaneously to do everything possible to maintain in Poland an atmosphere of anarchy and to create additional difficulties in food supplies to the population," Tass said.

Tass charged that the secretary of state was also calling on allied countries to exert economic pressure on Warsaw so that the West could guide its policies.

News reports from Washington quoting a senior State Department official indicated that the Reagan administration has decided to collaborate with its allies in using whatever diplomatic and economic influence it can muster to prevent the military crackdown in Poland from becoming permanent.

Tass said the United States was

also using the European-based Radio Free Europe-Radio Liberty to "instigate Polish citizens to resist, including by violent means, the measures taken by the military council to normalize the situation."

The two stations, which are U.S.-owned and supported and are based in West Germany, broadcast to the East, with Radio Liberty concentrating on the Soviet Union and Radio Free Europe, which is heard by millions of Poles, on Eastern Europe.

Tass said comments from U.S. officials over the last few days suggested that the United States would use economic sanctions against Poland if the Warsaw leadership tried to overcome "anti-state forces."

In the past, the United States had used loans "as a means of economic pressure and blackmail" toward Warsaw and now appears set to do so again.

Tass said U.S. reactions to the Polish developments showed that U.S. foreign policy was characterized by lawlessness and arbitrariness. Moscow, Tass said, had stressed from the start that it considered the events in Poland a purely internal matter.

Soviet state television launched a new denunciation of the United States in its early evening news-commentary program. State television said reaction to the crackdown in Poland could be divided into two categories, with East and West Europeans on one side and the United States on the other.

EEC Calls On Poland To Avoid Use of Force

The Associated Press
LONDON — Foreign ministers of the 10-nation European Economic Community Tuesday called on Poland to solve its present crisis "without the use of force" and said that all countries, including the Soviet Union, should "refrain from any interference."

The foreign ministers also declared that they considered Israel's annexation of the Golan Heights "contrary to international law and, therefore, invalid in our eyes."

The foreign ministers were meeting in a special previously scheduled session to attempt to resolve budgetary, agricultural and other internal Common Market problems. However, they issued statements on the crisis in Poland and on the Israeli decision Monday to extend Israeli law to the Golan Heights, captured during the 1967 Six-Day War.

'Profound Sympathy' Expressed

The foreign ministers said that they were "concerned at the development of the situation in Poland and the imposition of martial law and the detention of trade unionists." They expressed "profound sympathy for the Polish people in this tense and difficult time."

In a special statement, the ministers called on "all signatory states of the Helsinki Final Act to refrain from any interference in the internal affairs of the Polish People's Republic."

The Helsinki agreement, signed in 1975, pledges the 35 signatory nations, including the Soviet Union, not to interfere with each other's internal affairs.

The foreign ministers added that they "looked to Poland to solve [its] problems itself and without the use of force so that the process of reform and renewal can continue."

The ministers said that they did not discuss extending or halting shipments of surplus food supplies

to Poland. During the current year, the Common Market has provided Poland with agricultural products, including dairy goods, meat and grain, under favorable conditions.

Representatives of all 10 member nations attended the meeting. They are Belgium, Britain, Denmark, France, Greece, Ireland, Italy, Luxembourg, the Netherlands and West Germany.

EEC Food Aid to Continue

STRASBOURG (AP) — The Executive Commission of the European Economic Community said Tuesday that emergency food aid for Poland approved by the community earlier this month should still be shipped, despite the events in Poland.

EEC Budget Commission Christopher Tugendhat, speaking for the Commission, said in the European Parliament that the 10 million European Currency Units (about \$10.6 million) appropriated in the 1981 budget for 8,000 tons of beef and other food for Poland should remain in the budget.

The funds were approved by the EEC Council of Ministers on Nov. 24. A further 8,000 tons of beef requested by the Poles were earmarked as a Christmas gift by the council on Dec. 7.

In addition to this gift, about 825,000 tons of emergency food aid, including 663,000 tons of grain and 77,000 tons of meat have been shipped by the EEC to Poland this year.

The food — sold to Poland at about 15 percent below world prices — has cost the EEC about 96 million ECUs (about \$101.5 million) from its farm price support funds.

The Parliament is expected to support the Commission's request to sustain the budgeted aid to Poland when it votes on the amended 1981 budget later this week.

Solidarity's Proclamation

The Associated Press
COPENHAGEN — The following is the text of an appeal by the Solidarity Party in Szczecin that was smuggled out of Poland Tuesday by a ferry crewman and telephoned to a Polish exile group in Copenhagen:

"This is a proclamation to all parliaments, governments, all nations and all people of good will who hold democracy, freedom and workers' rights dear:

"At risk of life and personal freedom, despite draconian measures of martial law and despite attempts to manipulate with fear hundreds of thousands of Polish workers and patriots, we support a strike and demand the renunciation of the state of war, the release of all those arrested and the restoration of all labor and democratic rights that the nation has won since August, 1980.

"We appeal: Support us in our fight with a massive protest and moral help. Do not sit idly watching how they try to strangle the germ of a budding democracy in the heart of Europe.

"Be with us in our hour of darkness. Solidarity with Solidarity. *Noch ist Polen nicht verloren.*" The proclamation ended with the German-language version of the opening line of the Polish national anthem: Poland is not yet lost.

(Signed Dec. 14 by the Strike Committee at Szczecin shipyards and harbor.)

Solidarity Members Arrested For Striking, Warsaw Says

(Continued from Page 1)

Polish tanks on the move toward Warsaw and frequent army checkpoints on the roads, they said.

Refugee Influx Expected

Officials at Austria's main refugee camp at Traiskirchen, meanwhile, were gearing for a large influx of Polish refugees. Although martial law has effectively sealed the border between the two countries, the officials said they expected hundreds of Poles already in Austria with tourist visas to apply for asylum.

The Polish official who disclosed that Mr. Walesa was negotiating with the government told reporters: "There will be a return to normal life as soon as there comes about relative stability in my country."

Dr. Wlodzimir Konarski, who heads the Polish delegation at the Madrid conference, said the authorities wanted Mr. Walesa to use his authority to help straighten out the situation.

In Tokyo, the Foreign Ministry announced that Japan will ship 20,000 tons of rice in food aid to Poland. "The decision was taken with humanitarian considerations in mind," said Shohci Naito, a ministry spokesman. "We are aware that they need food over there, and there is a contract. We feel it is our duty to fulfill the contract."

U.S. Justices Refuse Agent Orange Appeal

By Linda Greenhouse
New York Times Service
WASHINGTON — The chances of thousands of Vietnam veterans ever collecting damages for injuries caused by exposure to the chemical known as Agent Orange remain clouded as the U.S. Supreme Court has refused to hear the appeal of a lower court ruling that may keep many of the veterans out of federal court.

Lawsuits by veterans against the manufacturers of Agent Orange are months or years away from trial, and the legal issue before the justices Monday was both technical and preliminary. But that issue — whether there is a federal "common law" that governs the lawsuits and gives the veterans access to federal court — has a direct bearing on the outcome of more than 100 suits involving more than 2 million veterans and dozens of corporate defendants.

Agent Orange, a defoliant that contains a toxic ingredient called dioxin, has been linked to genetic damage and serious medical problems among those who were exposed to it in Southeast Asia.

Statutes of Limitation

The lawsuits are essentially products-liability suits, alleging the manufacture of a dangerous product. Such lawsuits are usually a matter of state rather than federal law. But about 600,000 veterans live in the 19 states whose courts would bar the suits because restrictive statutes of limitation have already expired. These statutes typically require a suit to be filed within a few years of exposure. While the chemical's dangerous properties became widely known only re-

U.S. Retaliates For Japan Delay On Route Request

The Associated Press
WASHINGTON — The Civil Aeronautics Board has ordered sanctions against Japan Air Lines in retaliation for Japan's failure to act on a United Airlines' application to begin service between the West Coast and Tokyo. The CAB said that Japan was in violation of bilateral air agreements between the two countries in not allowing United access to the Tokyo market.

United was given U.S. permission in September, 1980, to begin Tokyo service from Seattle and Portland. The carrier applied for a Japanese operating license last January, but the Japanese have not acted on the application.

In retaliation, the CAB said it would defer Japan Air Lines' request to combine traffic with its Tokyo-Los Angeles-Miami-Sao Paulo route with traffic on its Tokyo-Los Angeles route; defer the Japanese carrier's request for authorization to provide intermodal cargo service on its U.S. routes, and lighten restrictions on future applications for Japanese charter operations.

The CAB order was the most recent development in a long dispute between the United States and Japan over air service. U.S. and Japanese negotiators suspended bilateral talks in Hawaii in mid-November after they failed to agree on a new air accord.

Floods in Brazil Kill 32

United Press International
RIO DE JANEIRO — Mudslides and floods have killed 32 persons near Rio de Janeiro, raising to 82 the number of people who have lost their lives during nearly two weeks of torrential rains, officials said Monday.

The decision of Premier Wojciech Jaruzelski to clamp down on Solidarity and on the state of turmoil in Poland was applauded again Tuesday by the country's Communist bloc allies.

The official East German news agency said that the measures were "in accordance with the constitution" and a purely internal affair.

The Soviet Union has not so far publicly endorsed the declaration of martial law but has suggested that decisive action by the Warsaw government was overdue.

The Polish official who disclosed that Mr. Walesa was negotiating with the government told reporters: "There will be a return to normal life as soon as there comes about relative stability in my country."

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Mintoff Appears To Win Slim Edge In Malta Election

New York Times Service
VALLETTA, Malta — Prime Minister Dom Mintoff appears to have won a third five-year term as his Labor Party gained a narrow victory over the conservative Nationalists, led by Edward Fenech Adams, 47.

Complete results from Saturday's elections were not yet in, but politicians of both parties said Tuesday they would show the Labor Party with 34 seats and the opposition with 31. It seemed likely, however, that the Nationalists would win slightly more of the popular vote, dispersed over 13 electoral districts.

"We're not interested in that," said the prime minister when asked about the popular vote. "We are interested in the number of members of parliament."

Mr. Mintoff, 65, vigorously defended his search for a neutral state for Malta and decided the tactics of the Nationalists, who had vowed to take the country closer to the West. In a press conference, Mr. Mintoff defended an agreement he signed in October with the Soviet Union, which pledges to respect Malta's neutrality, and said he sought "equidistance between the superpowers. We want to sign a similar treaty with the United States, and they say no," the prime minister said.

WORLD NEWS BRIEFS

2 Killed in New Riots in Nigeria

LAGOS — Two persons have been killed in rioting in Nigeria's northern city of Kano, according to reports later confirmed by police, the Daily Sketch newspaper said Tuesday. More than 4,000 died in rioting in Kano last December and four in riots in July.

The newspaper, which supports the opposition in Lagos, said the rioting began shortly after the national convention of the split People's Redemption Party ended Sunday. It said a mob attacked buildings and vehicles and tore down portraits of the Kano state governor, Alhaji Abubakar Rimi. The People's Redemption Party is split into two factions, one led by Alhaji Aminu Kano, supporting president Shehu Shagari's National Party, and the other led by Mr. Rimi, supporting the opposition.

Over the weekend the government of Kano denied press speculation that it was about to suspend the emir, Alhaji Ado Bayero, who is the traditional local ruler. The rioting in July started after Mr. Rimi threatened to end the emir's reign.

Central Belfast Is Reopened to Cars

BELFAST — The sealed-off center of Belfast was open to privately owned vehicles for the first time in seven years Monday night, police reported.

Drivers and their cars were allowed through one of the checkpoint security gates which were put up seven years ago to keep out terrorist bombers. Cars were examined and drivers searched before being waved through and allowed to park their vehicles unattended in the city center streets. But the cars had to be out again again by 2 a.m. the following morning.

Police and army chiefs agreed to the new easing of security following pressure by restaurant and nightclub owners, who complained that they were losing heavily from lack of business due to the ban on private cars. Downtown Belfast is virtually deserted most nights. The new arrangement is for an unspecified trial period.

House Passes Military Spending Bills

WASHINGTON — The House swiftly gave its final approval Tuesday to compromise bills providing \$199.7 billion for the Defense Department and \$7.06 billion for military construction projects.

The main military appropriations measure was approved 334-84, and the construction bill was passed by voice vote in less than an hour and were sent to the Senate.

The appropriation measure, produced by a congressional conference Monday, comes to about \$1.1 billion less than requested by President Reagan, \$9 billion less than the original version voted by the Senate and \$2.25 billion more than the amount approved initially by the House.

Iran Approves Hard-Line Ministers

LONDON — Iran's Majlis, or parliament, Tuesday approved the nomination of two hard-line Islamic fundamentalists as ministers of foreign affairs and the interior.

Tehran Radio said Ali-Akbar Velayati was confirmed as foreign minister and Hojatolislam Ali-Akbar Nateq-Nuri as interior minister. The foreign affairs portfolio had been held by Premier Hossein Mousavi, while the interior ministry was left vacant by the resignation over the weekend of Kamaloddin Nik-Ravesh.

Dr. Velayati, 36, a U.S.-educated pediatrician, was President Ali Khamenei's first choice as premier. But the Majlis rejected him on the ground that there was insufficient evidence that he had taken part in the fight to overthrow the regime of the shah.

U.S., Russia Hold Geneva Session

GENEVA — U.S. and Soviet negotiators held a fifth two-hour round of talks at the U.S. mission to the United Nations here Tuesday on limiting medium-range nuclear missiles in Europe, a U.S. spokesman said.

The delegations, headed by Paul Nitze and Yuri Kvititsinsky, scheduled another meeting at the Soviet mission for Thursday. Neither side issued any details of the discussions.

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New UN Secretary-General A Modest, Skillful Diplomat

By Bernard D. Nossiter
New York Times Service
UNITED NATIONS, N.Y. — While other aspirants for the post of secretary-general were busy here in corridors and near-by restaurants, Javier Pérez de Cuellar was at a beach house outside Lima without a telephone but with plenty of books.

The lack of tension and almost conspicuous modesty are trademarks of the gray-haired, 57-year-old diplomat who was chosen to be the next secretary-general of the United Nations by the Security Council last week.

On Tuesday, the General Assembly elected Mr. Pérez de Cuellar as the fifth UN secretary-general. The 15-nation body, following past tradition, elected by acclamation. The Associated Press reported.

Mr. Pérez de Cuellar, who will assume office on Jan. 1, will thus be the first Latin American to hold the five-year post. His nomination broke a prolonged Security Council deadlock.

Skeptical and Irreverent
At the United Nations, where he led Peru's delegation for four years and served as an undersecretary-general for two more, few of his colleagues doubt Mr. Pérez de Cuellar's professional skill. His ability to thread his way between entrenched positions to find some common ground.

In private conversation he is skeptical and irreverent and reveals an attachment to Western democratic values that he carefully masks on missions to authoritarian nations.

His favorite word is "caution." He returned to his house in Lima on Thursday and, over the telephone there, was asked how he would behave if the Security Council did choose him as secretary-general.

"The post of secretary-general is tremendously important," he said. "He must be very cautious not to exceed his functions and at the same time try to be efficient and helpful."

But can a careful head of the UN administration also act as a conscience for the international community? "He can," Mr. Pérez de Cuellar replied, "if he is cautious enough not to overplay his hand. He has to try. You need to be bold. International public opinion expects the secretary-general to do a little bit more."

On Monday, Mr. Pérez de Cuellar said he would plan as secretary-general to give top priority to economic development in the Third World and to human rights, United Press International reported from the United Nations.

Mr. Pérez de Cuellar said he would press for stepped-up talks between rich and poor countries to promote economic development in the Third World, UPI reported. "I plan to put in play all the moral influence, all the political influence of the secretary-general's office not only to maintain that dialogue, but to make it as constructive as possible," Mr. Pérez de Cuellar said.

Work in Cyprus
"We cannot continue to drag our feet in negotiations that are vital to détente — out between East and West but between North and South," he added.

He regards his work in Cyprus as his principal diplomatic achievement. There, as a special representative for the man he succeeds, Kurt Waldheim, Mr.

United States impaired. Beyond that, we have no comment." Another knowledgeable administration official, who declined to be identified, disputed that claim. He said, "A wounded president on his face jeopardizes the national security. But this system doesn't work, and [the administration] knows it has problems and there is no more crucial, sensitive system that has to work."

Bush Held Proxy
In the event of incapacitation or inaccessibility of the president, the authority to launch nuclear weapons can pass, according to officials knowledgeable with the agreements, through a chain of command that runs from Mr. Reagan down to Gen. David C. Jones, chairman of the Joint Chiefs of Staff. Each of these officials carries his unique code card which can, when command passes to him, be used to authenticate a nuclear order.

Authoritative officials said that while Mr. Reagan was under anesthesia for the four-hour operation that day, and later under heavy sedation for pain during his recovery, Vice President Bush would have held the president's nuclear proxy in the event of a crisis.

Since Mr. Bush was returning from Texas that afternoon aboard an Air Force jet that was not as well equipped for communications as the president's plane, some officials said Defense Secretary Caspar W. Weinberger would have had the authority to make any decision to launch nuclear weapons in a crisis.

Most officials agreed that there was temporary disruption and confusion in the procedures for guarding the codes that activate the elaborate, top-secret cryptographic Sealed Authenticator System. Other officials, all of whom asked not to be identified, said they were sure the system provided for a quick change of codes in case of a security breach such as a lost card.

There has been some question, however, over how quickly Mr. Reagan's military aide discovered that the code card was missing and attempted to recover it. It was not clear what fail-safe systems, if any, were initiated that day to provide the wounded and conscious president with alternate codes.

Chain of Command
The chain of command for emergency action is different from the line of succession specified by Congress and the 25th Amendment to the Constitution.

On the day of the shooting, it was apparently this line of succession that was confused in a public statement by Secretary of State Alexander M. Haig Jr., who said during a televised address that he was "in control" at the White House. Officials said that delegation of the president's nuclear command authority has historically been an exclusive prerogative of the executive branch and Congress apparently



Javier Pérez de Cuellar

Pérez de Cuellar persuaded leaders of the Greek and Turkish communities to open talks in 1976, their first meeting in years. The two sides are still talking, their differences unresolved after the Turkish invasion of northern Cyprus in 1974.

"This is what happens with the United Nations," Mr. Pérez de Cuellar said. "You have an improvement in the atmosphere. You are so close to a solution. Then you are frustrated."

More recently, he has been serving as Mr. Waldheim's envoy in trying to persuade the Soviet Union to withdraw its troops from Afghanistan.

As secretary-general, Mr. Pérez de Cuellar says he wants to make a "new approach, combining efforts to solve political problems with efforts to make the organization more efficient; a reshuffle is needed."

Mr. Pérez de Cuellar faces a key question in his new post: Is he tough enough? "Nobody knows whether he has a cutting edge," said a senior UN official.

Pole in U.S. Spy Case Is Given Life Sentence

By Dan Morain
Los Angeles Times Service
LOS ANGELES — Convicted spy Marian W. Zacharski has been sentenced to life in prison by a federal judge who told the Polish national that this country "will not tolerate" espionage.

U.S. District Judge David V. Kenyon also sentenced William Holden Bell to eight years in prison. Mr. Bell, a former Hughes Aircraft Co. engineer, had pleaded guilty to selling defense secrets to Mr. Zacharski for gold and cash worth about \$95,000.

Mr. Kenyon said Monday that the information Mr. Zacharski obtained from Mr. Bell was damaging to the U.S. national interest, adding that it could lead to the

"loss of many lives on our side" in a war.

A federal jury deliberated two days before finding Mr. Zacharski guilty on Nov. 16 of conspiring with Mr. Bell to obtain and deliver film of national defense documents to Polish agents in Europe.

Mr. Bell and Mr. Zacharski met at the swimming pool of their Los Angeles apartment house and became good friends. When Mr. Bell needed money to pay debts, Mr. Zacharski offered to help. In exchange, Mr. Bell agreed to supply classified information, passing it during clandestine meetings with Polish agents in Europe.

Probably the most sensitive information Mr. Bell passed to Mr. Zacharski, a former representative of the Polish American Machinery Corp. involved a sophisticated anti-tank weapon and a highly advanced radar system, said Robert S. Brewer Jr., the assistant U.S. attorney who prosecuted the case.

Mr. Brewer called Mr. Zacharski a "highly trained and highly skilled intelligence officer."

"He was a 30-year-old mastermind spy who was going to ride Bell as far as he could," the prosecutor charged as he argued for a life sentence. "... If he had not found Bell, he would have sought out others."

Mr. Zacharski's attorney, Edward M. Stadium, did not concede that his client was a spy. Instead, Mr. Stadium called Mr. Zacharski a "patriot" who was being loyal to his country.

Mr. Stadium said Mr. Bell is considering writing a book about his experience and may be able "to profit from his participation in this."

Mr. Stadium's lawyer, Robert L. Kirste, denied that his client is involved in any such deal or has received any offers.

Mr. Kirste raised the possibility that the U.S. government will attempt to work out a deal by which it will exchange Mr. Zacharski for an American in prison in the Soviet bloc or a dissident.

"I'll be surprised if Mr. Zacharski is not traded within six months," Mr. Kirste said.



Marian W. Zacharski

Reporter Testifies Suspect Admitted California Killings

United Press International
LOS ANGELES — William G. Bonin, the chief suspect in a series of Los Angeles killings, admitted to slaying 21 young men and boys in a string of homosexual attacks and said he would have kept killing if he had not been arrested, according to a reporter's testimony.

David Lopez of Los Angeles television station KNXT testified Monday that Mr. Bonin said during a series of interviews in jail, "I killed all but one," of 22 victims listed. Final arguments were to have been presented Monday, but Mr. Lopez' testimony prompted the prosecutor to reopen the case.

Mr. Lopez earlier had refused to testify, claiming protection under California's shield law when the prosecution tried to force him to take the stand. But he changed his mind, saying, "Faced with the question, 'Am I a reporter or a citizen first?' I decided I'm a citizen first."

Mr. Bonin is charged with 12 of the slayings in what has come to be known as the Freeway Killings case, so named because bodies of 44 young men and boys were dumped beside freeways in southern California between 1972 and 1980. Officials say the killings might not all be related.

White House Report Warns of Cuba Danger

By Barbara Crosser
New York Times Service
WASHINGTON — The Reagan administration, in a report on Cuban activity in the Caribbean and Central America since 1978, says that Havana has created a state of economic and political danger in the region.

Thomas O. Enders, assistant secretary of state for inter-American affairs, said that Cuba, using a recently devised strategy for insurrection in the hemisphere, has turned its attention to Honduras, where "a new attempt to overthrow an established government by force is under way."

In two hours of testimony and questioning Monday before the Senate Foreign Relations Committee's Subcommittee on Western Hemisphere Affairs, Mr. Enders presented a broad analysis of the administration's view of Cuban policy and practice.

He also made public a State Department report detailing Cuban activities in the region. The report was an updated version of a document sent last month to foreign governments and U.S. embassies.

Embargo Tightened
Reiterating an administration warning to the Cubans that "the costs of escalating their intervention in the area will be high," Mr. Enders said that the United States was tightening and strictly enforcing the existing embargo on Havana.

Along with the organizing and training of opposition groups, Mr. Enders said, the Cubans have exacerbated a worsening economic situation in recent years by teaching guerrillas to strike at economic targets: bridges, factories and tourist facilities. Tourism in Central America, a State Department official said, has been severely damaged as a result.

Mr. Enders declined under questioning from subcommittee members to discuss any military or other retaliatory measures that the United States might be planning against Cuba.

Officials have suggested that strong administration language may become a policy end in itself. In a meeting with reporters Monday to discuss the report on Cuban activity, two senior administration officials said there was evidence that the Cubans had been listening carefully.

Cuban Views Expressed

The officials said that a recent increase in activity by the Cuban Interests Section in Washington, which represents Havana in the absence of an embassy, was interpreted as an indication of Cuban concern. Cuban diplomats have been approaching journalists and congressional staff members to present Havana's point of view, and to suggest that Cuba wants to talk with the United States.

Mr. Enders indicated that the policy of tough talk might have begun to pay off in Central America.

He said a resolution approved by the Organization of American States last week in support of the electoral process in El Salvador was evidence that the nations of the hemisphere were opposed to interference in El Salvador's affairs.

The State Department, in its assessment of recent Cuban activity, said that Havana shifted in 1978 from nearly a decade of improving its relations in the hemisphere to support for insurrection. Mr. Enders said that Cuba's policy differed from that of the Soviet Union, which calls for the support of old-style Communist parties.

State Department analysts said that Cuba rejected the old strategic approach and decided to bring together all opposition groups — from social democrats to the most radical leftists. Such a unified opposition, in the department's view, has been successful in attracting widespread support from European Socialists and social democrats.

Mr. Enders said, however, that many social democrats who backed such movements had learned "with bitterness that their money and political backing are welcome, their ideas are not."

FBI Held Personal Nuclear Code For 2 Days After Reagan Shooting

By Patrick E. Tyler
and Bob Woodward
Washington Post Service

WASHINGTON — When President Reagan was shot on March 30, the FBI took possession of a secret personal code card the president would use to authenticate his nuclear strike orders in certain military emergencies, according to government officials.

The loss of the card, taken as part of the evidence-gathering after the shooting, caused a dispute over its possession between the president's military aides and the FBI. The matter was not resolved until Attorney General William French Smith ordered FBI agents at George Washington University Hospital to keep the card. It was not returned for two days.

The card is the only device personally carried by the president to authenticate his nuclear commands. It contains a series of coded numbers and words with which the commander in chief can identify himself to military officials in the war room at the Pentagon.

The code and verification system is crucial to national security, since officials say they could have only a "handful of minutes" in which to make nuclear launch decisions in a crisis.

Duplicate Cards
After Mr. Reagan's recovery the administration conducted a thorough inquiry into how the system worked that day. Mr. Reagan was reportedly disturbed to discover that the Joint Chiefs of Staff maintained a duplicate of the president's card without informing the White House. He is said to have since taken some corrective action.

White House spokesman David R. Gergen said Friday that this account contained some unspecified inaccuracies, then added, "At no time during the events of March 30 was the national security of the

United States impaired. Beyond that, we have no comment."

Another knowledgeable administration official, who declined to be identified, disputed that claim. He said, "A wounded president on his face jeopardizes the national security. But this system doesn't work, and [the administration] knows it has problems and there is no more crucial, sensitive system that has to work."

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In the event of incapacitation or inaccessibility of the president, the authority to launch nuclear weapons can pass, according to officials knowledgeable with the agreements, through a chain of command that runs from Mr. Reagan down to Gen. David C. Jones, chairman of the Joint Chiefs of Staff. Each of these officials carries his unique code card which can, when command passes to him, be used to authenticate a nuclear order.

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has not exercised oversight authority on the matter.

While dozens of people attended the wounded president at George Washington University Hospital, the dispute over the president's nuclear code card that was stripped away with the rest of his clothing went largely unnoticed.

In the emergency room, nurses cut and ripped away the president's clothing, stripping him naked. "The suit jacket was left on the floor," said Drew Scheele, a general surgery intern who reached the president in the first few minutes. "It was literally underfoot while we worked on him and was later kicked off to one side."

Mr. Reagan's belongings then were gathered up by Washington police officials. Secret Service evidence technicians and, later, FBI agents, who by law have investigative jurisdiction over attacks on a president.

Evidence Catalogued
After 3 p.m. additional teams of Secret Service agents began arriving at the hospital to secure the various operating, recovery and intensive care rooms that would be needed by the president. At least four FBI agents also arrived, to catalog the evidence gathered at the hospital.

One law enforcement official who witnessed the handling of the president's belongings said that the FBI agents were cataloguing the evidence when they discovered they possessed the presidential code card. During surgery on the president, a military aide and a White House security assistant interrupted the FBI agents to ask for the return of the code card.

The argument over the nuclear code card was quickly flashed to the FBI command center, where it was relayed to Attorney General Smith stationed in the White House situation room with other members of the Cabinet. Mr. Smith instructed the FBI to keep control of the card, officials said.

One knowledgeable official characterized this decision as an "inconceivable, myopic bureaucratic reaction." The official said the FBI and Justice Department officials should have recognized the sensitivity of all codes among the president's national security accessories.

Medical Bulletin Says Mitterrand Is Healthy

The Associated Press
PARIS — French President Francois Mitterrand, 66, is in "a completely satisfactory state of health" except for osteo-arthritis of the lower spine, according to a medical bulletin issued Tuesday.

The bulletin, signed by Mr. Mitterrand's personal physician, was issued six months after the Socialist leader took office. It said that his only other area of concern, an inflammation of a nerve associated with the arthritis that impeded his walking, has disappeared after treatment.

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Congress Panel Restores Bite in Social Security

New York Times Service
WASHINGTON — A Senate-House conference committee has agreed to restore the minimum Social Security benefit for all the retired people who now receive it and for those who become eligible before Jan. 1. Both houses of Congress are expected to confirm the action later this week.

Final approval of the decision made on Monday would mean that 3 million beneficiaries would continue to receive \$122 a month, rather than a smaller amount based on their individual work records. But no one who retires after the first of the year will benefit from the \$122 floor.

The Social Security conferees also took a first tentative step toward easing the money shortage that the retirement system faces in the next five years, but that step was so modest that Congress will almost certainly have to take further action in 1982 to preserve the solvency of the fund.

The bill approved by the conference would authorize the Social Security fund to borrow from the Medicare and disability funds, but only in 1982. The most serious financial pressure is now expected to come in 1983 or thereafter.

At the request of President Reagan, the \$122 minimum benefit was eliminated completely, effective March 1, last summer's budget legislation. When protests mounted, the lawmakers changed their minds and decided to reinstate the minimum for those now receiving it. Their decision was supported later by the president.

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Neon Signs, Winter Oranges Lift Soviet Gray From Bulgaria Capital

By R.W. Apple Jr.
New York Times Service
SOFIA, Bulgaria — At first glance, Sofia looks like a provincial town in the Soviet Union — gray, sooty, down at the heel, with a huge central square dominated by a Stalin-Gothic building housing Communist Party offices.

At first glance, the Bulgarian government, led by the 70-year-old president, Todor Zhivkov, seems like a carbon copy of the Soviet government, echoing its ideological pronouncements, careful to follow a foreign policy neither too far ahead of nor too far behind that proclaimed in the Kremlin.

Lada and Moskvich cars, the latter assembled here, dominate the streets of the city. The uniforms of the countless military officers walking through the central area look a great deal like those of their Soviet counterparts.

But the visitor who looks more closely will find considerable differences in the way of life and even subtle distinctions in official policy. The divergences are never flaunted, and they are easy to forget in a country where the Russian people are honored as 19th-century liberators: Sofia alone among the satellite capitals has a statue of a czar — Alexander II — and a church dedicated to Alexander Nevski, the canonized 13th-century military hero.

But in a food store on Stamboliiski Boulevard, one sees grapes and radishes and oranges piled high, items that would cause

and seek the ultimate status symbol in this country of 8.8 million. Only people with the most critical skills and academic specialties are now permitted to move to the capital, and Mr. Iliev's newspaper is campaigning for the relocation of small industries in the countryside. Perhaps that would help with the pollution problem. So far, he said, "the government's anti-pollution decrees have accomplished about the same thing as similar measures in other countries — not much."

Bright Lights
Walking down Georgi Dimitrov Boulevard in the early evening, one sees neon signs, brightly lit shop windows and bustling groups of people, a far cry from the sylvan gloom that characterizes the winter cityscapes of Soviet evenings.

"We do all right," said Georgi Iliev, deputy editor of the trade union newspaper Trud. "Compared with three decades ago, all of us are well-off, although we know we are far behind the developed capitalist countries. I think we are too well-fed; too many of our people overeat and overdrink."

The government has cut back on food exports — "with an eye over its shoulder at the big examples of Poland and Romania," in the view of a Western diplomat here.

The rapid urbanization of a country that was once almost completely agrarian, which has pushed the population of Sofia from 20,000 to 1.1 million in a century, is generating Bulgaria's most serious economic problems. Housing is critically short, causing severe grumbling, and there are not enough automobiles to meet the demands of city dwellers who quickly lose the habit of walking

and seek the ultimate status symbol in this country of 8.8 million. Only people with the most critical skills and academic specialties are now permitted to move to the capital, and Mr. Iliev's newspaper is campaigning for the relocation of small industries in the countryside. Perhaps that would help with the pollution problem. So far, he said, "the government's anti-pollution decrees have accomplished about the same thing as similar measures in other countries — not much."

Good Credit Rating
Bulgaria is one of the few East European countries with ample reserves of hard currency and good Western credit ratings. But its officials are bitter at the refusal of the United States to accord it most-favored-nation status along with Romania and Hungary. Such status brings valuable concessions on duties and other matters.

"We give you no Jewish emigration problems," said Luben Gotzev, a department head at the Ministry of Foreign Affairs. "We pay our bills. But the American government is prejudiced against us; they call us Moscow's biggest stooges. So we have to pay 20 times the taxes on our tobacco than the Greeks and Yugoslavs pay. Naturally, we can't sell it."

Mr. Gotzev was asked whether persistent Bulgarian press attacks on the United States might be a factor. Two or three harshly critical articles have been printed each day for months, including denunciations of U.S. policy in Europe, the Middle East and Africa, gleeful coverage of the Atlanta murders and, this month, a suggestion that Pearl Harbor resulted from inadequate American sensitivity to fascism.

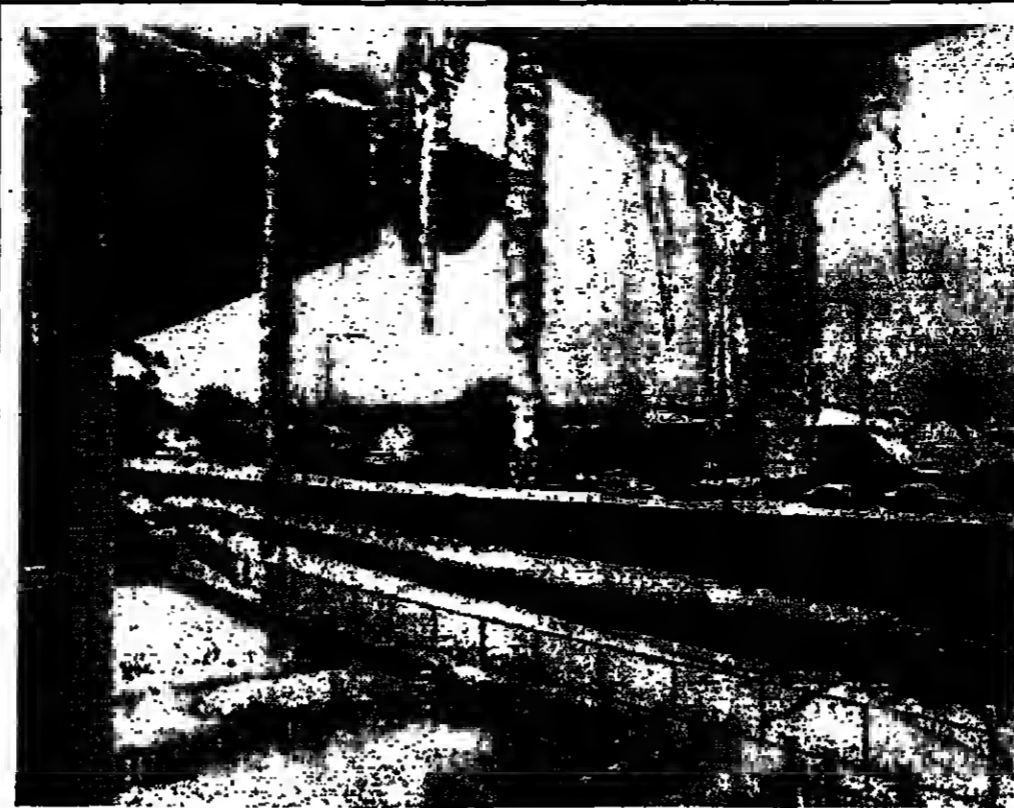
"Let's put writings in the press aside," said Mr. Gotzev with a wan smile. "We think business is business and press is press. Besides, your embassy should notice that these things are in news stories; the editorials aren't so critical."

Subtle Differences
It is in comments like this one, which might not be made by a comparable official in Moscow, that one suspects subtle differences between the approaches in the two capitals. And it is noticeable as well that the Bulgarians, while maintaining what they call "ideological vigilance," find it unnecessary to read many political prisoners.

Greater freedom of expression is apparent particularly in the cultural area. Bulgarian abstract painters have no difficulty in showing their work in local galleries and indeed in state museums, and the monuments commissioned for the current celebration of the 1,300th anniversary of the founding of the Bulgarian nation, notably those in Sofia and in Kolarovgrad, formerly Shumen, are quite avant-garde.

Many Bulgarian artists ascribe the relatively lenient policy to President Zhivkov's daughter, Lyudmila, who died this summer at the age of 39 after a brain tumor. She had acted as the country's culture minister and had been seen by some as a possible successor to her father. Black-bordered posters announcing her death are still to be seen in Sofia.

"We thought things would tighten up after her death," a musician said. "So far they haven't. Maybe they won't."



Iceicles hang from a roof in South London as a severe cold wave continues to grip Britain.

Shivering London Braves 'Arctic' Blitz, Iciest, Snowiest December for 31 Years

By Steven Ramner
New York Times Service
LONDON — For all the Victorian images of snow in England, entire winters often go by in London now without more than an odd flake settling onto the city's byways.

So when several inches fell in three big storms last week and the temperature dropped below freezing, meteorologists marked it as the area's coldest and snowiest December in 31 years.

Reveling in a monthlong celebration of Christmas as they do, the British might be delighted in this seasonal touch. Not at all. It turned out that the bulk of the citizenry just could not cope.

"We're only good at mediocre weather, not the hot or the cold," said Andrew Jones, a designer. Throughout the week, all forms of transportation collapsed in varying degrees, offices closed early, widespread power failures occurred and news reports became obsessed with "Siberian blizzards."

Temperatures in London improved Tuesday after having hovered for a week in the low 30s Fahrenheit. In Shropshire in western England, the temperature dropped Sunday night to 23 Fahrenheit below zero, (-30 Celsius), the coldest recorded in England in 100 years. Scotland was even colder. The unseasonable conditions were blamed on high pressure over Greenland.

Saturday, vast numbers of Londoners, who usually make the aisles of department stores impassable by 9:30 a.m. on a pre-Christmas Saturday, stayed home, adding to the economic troubles

that have not made this a terribly happy Christmas shopping season in Britain.

The snow brought out the true extent of Britain's economic difficulties in other ways. Last Tuesday Heathrow Airport was shut for several hours because of a dispute among workers over whose job it was to drive the tractors that clear snow from the runways. Monday at Heathrow, 550 frustrated Nigeria Airways passengers, some of whom had been stranded for as long as three days, beat up airline employees.

Prime Minister Margaret Thatcher and Sir Geoffrey Howe, the chancellor of the exchequer, displayed their lighter sides. Mrs. Thatcher threw snowballs at news photographers, and Sir Geoffrey dressed up as Santa Claus to cheer deprived children.

One reason for the lack of excitement about the weather is that the cold is somewhat less pleasant without central heating, which is the state of 43 percent of British households, according to a recent government survey. In Hereford, actors in the musical "Oh! Calcutta!" at the Nell Gwynne Theater refused to perform the nude scenes Friday because of cold conditions, which prompted the quick installation of space heaters.

Only one avalanche was reported — of bets at gambling shops that there will be a white Christmas will be next. William Hill's, which was offering 12-1 a week ago, dropped its odds to 2-1, and other bookmakers stopped taking the wagers. The last time snow landed on the Air Ministry roof on Dec. 25, the requirement for winning the bet, was in 1970.

Temperatures were slightly colder in the 19th century, a weatherman said, and there were a series of very harsh winters. Then came several very warm decades and, over the last 30 years or so, a gradual cooling.

Pope Assails Nations Backing Birth Control

VATICAN CITY — Pope John Paul II said Tuesday that governments sponsoring artificial birth control as a means of curbing population growth are guilty of a "grave offense against human dignity and justice."

The 61-year-old head of the world's 581 million Roman Catholics made the statement in a 174-page booklet laying down his church's teaching on family life.

The booklet, which the pope called an "apostolic exhortation," was based on proposals submitted to the pope by the Fifth Synod of Bishops held in Rome in September and October, 1980. The synod met to consider the problems of Christian families.

As expected, the pope reiterated and reinforced the church's rigid ban on contraception, abortion and divorce, an opposition that the synod also endorsed.

"The church condemns as a grave offense against human dignity and justice all those activities of governments or other public authorities which attempt to limit in any way the freedom of couples in deciding about children," the pope said.

"Consequently any violence applied by such authorities in favor of contraception or, still worse, of sterilization and procured abortion, must be altogether condemned and forcefully rejected."

"Likewise to be condemned as gravely unjust are cases where, in international relations, economic help given for the advancement of programs of contraception, sterilization and procured abortion," the pope said.

He cited warnings against the world population explosion as an example of what he called an "anti-life mentality."

"One thinks, for example," he said, "of a certain panic deriving from the studies of ecologists and futurologists on population growth, which sometimes exaggerate the danger of demographic increase to the quality of life."

"Against the pessimism and selfishness which cast a shadow over the world, the church stands for life," he said.

The pope quoted liberally from Pope Paul VI's 1968 encyclical titled Humanae Vitae (Of Human Lives), which strongly reaffirmed church opposition to all forms of birth control other than the so-called rhythm method of periodic abstinence based on a woman's monthly cycle.

He urged the Catholic episcopate and clergy, to whom the "exhortation" was primarily addressed, to make "every effort" to ensure that the rhythm method was made known to "all married people and also to young adults before marriage, through clear, timely and serious instruction given by married couples, doctors and experts."

The pontiff clearly meant that "young adults" should be instructed as a preparation for marriage.

not for premarital sex, which he spoke out against in other parts of the document.

The pope said that marriages were unacceptable and that the "church, for her part, cannot admit such a kind of union."

On the issue of divorce the pope repeated the Roman Catholic view that "marriage is indissoluble" and therefore the church can not recognize the remarriage of divorced people.

Joint Panel Approves U.S. Aid Measure

By Martin Tolchin
New York Times Service
WASHINGTON — A House-Senate conference has approved an \$11.4-billion foreign aid authorization bill that retains a prohibition on aid to insurgents in Angola but lifts a boycott on aid to Chile, Argentina and Pakistan.

The bill would authorize spending of \$3.7 billion in each of the fiscal years 1982 and 1983.

The action came Monday night as Congress rushed toward adjournment for a six-week winter recess and sought to enact measures deemed essential by both the administration and Republican Congressional leaders.

"We've got to finish tonight," Sen. Charles H. Percy, Republican of Illinois, chairman of the Foreign Relations Committee, told the House-Senate conference on the foreign aid authorization bill. "The Senate will be in pro forma session on Tuesday, and Wednesday will be our last day."

A House-Senate conference on military spending also worked Monday evening, in private, to resolve differences between the \$208.7-billion Senate-passed bill and the \$196-billion House version. The Senate bill included \$3.4 billion for military pay raises.

A third House-Senate conference, on what would be the first foreign aid appropriation bill in three years, convened Tuesday to resolve relatively minor differences between the House and Senate versions. The House bill provides \$11.4 billion and the Senate \$11.6 billion, with slightly different mixes of military and economic aid.

The three bills are the major stumbling blocks to adjournment. Their passage is sought by the administration and Republican leaders because they would provide significantly more for military spending and foreign aid than the omnibus spending resolution approved last week.

House-Senate conferees also agreed Monday on a compromise on continuation of aid to El Salvador under which the administration would have to certify that the government of El Salvador was trying to control human rights violations and the armed services and was making "continued progress" in implementing reforms. The administration also would have to certify that El Salvador was committed to holding elections at an early date.

The conferees reached another compromise on aid to Pakistan, which has been barred because under present law the president must provide assurance that a recipient does not intend to develop a nuclear weapon. The administration has not been able to give Congress that assurance.

Congress nevertheless sought to give \$100 million in economic aid to Pakistan, in light of the Soviet occupation of Afghanistan. Under the compromise, the president can waive the nuclear assurance for 30 days, after which Congress must extend the waiver. Another waiver, permitting the president to declare that Pakistan is not engaged in the receipt or transfer of equipment to enrich uranium, is subject to a veto by both houses, under the agreement.

Nathaniel Benchley, Author Of Humorous Novels, Dies

WASHINGTON — Nathaniel Benchley, 66, the author of more than a dozen light-hearted novels and the son and the father of well-known American writers, died Monday at a hospital in Boston.

Mr. Benchley, who lived on Nantucket Island, became ill there

received biographies of his father and of Humphrey Bogart.

Mr. Benchley was born in Newton, Mass., raised in Scarsdale, N.Y., and educated at Phillips Exeter Academy and at Harvard.

His father's occupation, he said, "influenced me as much as anything else. I never seriously considered doing anything but writing."

In 1939, the year after college graduation, he became a reporter on the New York Herald Tribune. He left to serve in the Navy during World War II and commanded submarine chasers in both the Atlantic and the Pacific.

After the war he joined Newsweek but soon gave up his job to become a free-lance writer of both short stories and magazine articles.

Phillip D. Doran
NEW YORK (NYT) — Phillip D. Doran, 76, a former U.S. representative and chief of flight operations of United Technologies Pratt & Whitney Aircraft in East Hartford, Conn., died Saturday at Hartford Hospital.

OBITUARIES

about two weeks ago and was taken to Boston. He had cancer.

The son of Robert Benchley, the humorist, and the father of Peter Benchley, the author of "Jaws," Mr. Benchley may have been most widely known as the author of "The Off-Islanders," a 1961 novel that was made into the movie "The Russians Are Coming, The Russians Are Coming."

"Side Street," Mr. Benchley's first novel, was drawn from a series of stories of urbanity and urban life he had written for The New Yorker. His 15th novel, "Sweet Anarchy," was published in 1979. He also wrote well-

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U.S. Cardinal Calls Nuclear Deterrent Morally Tolerable

NEW YORK — Cardinal Terence Cooke, the New York archbishop, in his annual letter to U.S. military chaplains, says that "a strategy of nuclear deterrence can be morally tolerated if a nation is sincerely trying to come up with a rational alternative."

In his letter, released Monday, the military vicar for U.S. Roman Catholics said Catholic theology holds that "it is legitimate to develop and maintain weapons systems to try to prevent war by 'detering' another nation from attacking."

He said the church "considers the strategy of nuclear deterrence morally tolerable — not satisfactory, but tolerable."

Other Roman Catholic bishops have begun to speak out recently on the ethical problems of nuclear armaments. Archbishop John R. Roach of Minneapolis, president of the National Conference of Catholic Bishops, drew applause at the bishops' meeting last month when he called the nuclear arms race "the most dangerous moral issue in the public order today."

Cardinal Cooke's five-page letter cautioned against overemphasizing national defense but also warned against assuming that vast reductions in military spending would benefit social programs. He said his message had been prompted by letters asking whether a Catholic should have anything to do with nuclear weapons.

Catholics who produce or are assigned to handle the weapons that make the strategy of nuclear deterrence possible, he concluded, can do so in good conscience.

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On Golden Pond': Henry Fonda Gives Superb Film Performance

By Vincent Canby
New York Times Service

NEW YORK — As a successful Broadway play, Errol Sarno's "On Golden Pond" as processed American cinema, with color added by the screen version, directed by Mark Rydell from Thompson's screenplay, is not much different. It's still the upbeat, learning-to-you lesson about one summer the lives of Norman Thayer Jr., retired, crochetry university professor, Ethel Thayer, his bright, pinky wife of nearly 50 years, and their only daughter, Chelsea, whom Norman has never forgiven for not being a boy. You don't have to have seen the play to guess what happens to Norman's gentle misanthropy, especially to his feelings toward Chelsea, after he and Ethel spend a month taking care of the four-mouthed, lonely, misunderstood tom-cat son of Chelsea's fiancé, a dentist named Bill Ray. Life can be beautiful, if full of tears.

The movie is still American cheese, but its stars — Henry Fonda, Katharine Hepburn, Jane Fonda, and Dabney Coleman — add more than color to this pasteurized product. "On Golden Pond" now has the bite of a good old cheddar.

As Norman Thayer Jr., celebrating his 80th birthday with reluctance and mental decline and as frightened of death as he is angry with it, Fonda gives one of the great performances of his long, truly distinguished career. Here is film acting of the highest order, the kind that is not discovered overnight in the laboratory, but seems to be the distillation of hundreds of performances.

Matured Talent

As you watch him in "On Golden Pond," you're seeing the intelligence, force and grace of a talent that has been maturing on the screen for almost 50 years, in everything from "You Only Live Once," "Jesse James," "The Grapes of Wrath," "The Lady Eve" and "My Darling Clementine," through "Mr. Roberts," "Twelve Angry Men" and all of those more recent films in which he has given class to junk simply by his presence in a cameo role.

In "On Golden Pond," Fonda is very funny, nonchalant and tough in ways that deny the essential goodness of the material, and of Rydell's direction, which, when in doubt, cuts to lyrical shots of the sun-dappled waters of Golden Pond, of loons paddling along together in blissful harmony and of

lily petals glistening with dew. One more drop of dew and this movie would have drowned.

Hepburn, who is starring in Thompson's "The West Side Waltz" on Broadway, is also in fine form. One of the most appealing things about her as an actress is the way she responds to — and is investigated by — a strong co-star. When she has a vehicle to herself, she seems to lose her discipline, if not her way. The performance drifts off into mannerisms. She needs someone to support, challenge and interact with. Fonda is the best thing that's happened to her since Spencer Tracy and Humphrey Bogart.

Jane Fonda, a brisk comedienne when her lines are good and a co-nonsense actress even when they aren't, survives her not-great role in "On Golden Pond," even the kind of awful, family reconciliation scene that happens with far more frequency in second-rate domestic dramas than in life.

First Encounter

An added pleasure is the opportunity to see Dabney Coleman as the decent, solid dentist, a role that goes beyond the caricatures he is usually given to play. One of the best scenes in the film — in writing as well as performance — is the dentist's initial encounter with his fiancé's father, in which the dentist suggests that he and Chelsea would like to sleep in the same bedroom while staying at Golden Pond. Floundering but trying gamely to make the old man see the point, the dentist says, "We have a very — kinetic relationship." Says the old man, "How much do you charge for a filling?"

The less said the better about Billy, the dentist's son and Chelsea's soon-to-be stepson, who learns how to fish, dive and be civil to his elders during his summer on Golden Pond. In turn, he transforms old Norman into a loving father to the 40-ish daughter who has never been able to say, "Dad." As written, Billy is not a character but a mechanical device, which is pretty much the way Doug McKelton has been directed to act by Rydell.

"On Golden Pond" is a mixed blessing, but it offers one performance of rare quality and three others that are very good. That's not half-bad.



Henry Fonda, daughter Jane team up in "On Golden Pond."



The World War II liberation of Naples as portrayed in Liliana Cavani's film, "The Skin."

Liliana Cavani's Garish 'The Skin'

By Thomas Quinn Curtiss
International Herald Tribune

PARIS — The late Curzio Malaparte's book "La Pelle" ("The Skin"), with its garish cartoon of Naples occupied by the U.S. 5th Army in 1943, enjoyed considerable notoriety when it appeared shortly after the war. Mixing fact with fable, it had a broad streak of yellow journalism that gave it bounce and shock.

The nature of its sleight of hand may be judged by a scene in which Eisenhower and Churchill feast on the fish of the city's famous aquarium. Neither one was in Naples at the time; the retreating Germans as a paring gesture had thrown the rare aquarium specimens into the street.

Liliana Cavani came on the Malaparte tome only a year or so ago and saw in it the material for a wide-scale film, "La Pelle" ("The Skin"). In "The Night Porter" and in her film on Nietzsche's private life — she has worked on smaller canvases, but for this project, apparently ridden by a suppressed desire to be Fellini, she decided to splurge.

That Malaparte's highly-seasoned pages contain possibilities for sensational cinematic treatment is not to be gained, but Cavani proves not to be the one to transfer the museum of grotesqueries from print to celluloid. Naples of this period was captured with memorable fluency and simplicity by Vittorio de Sica in "Shoeshine," while here both the events and the people have gresspainted artificiality. Aside from insouciant sidestep fakes, everything about "La Pelle" is transparently calculated, strained and largely unbelievable.

One element of the plot owes more to Billy Wilder than to Malaparte. In his "A Foreign Affair," made in 1948, an abrasive congresswoman pesters a U.S. Army major in postwar Berlin with her nosy investigations. Here she is an American in uniform, with a letter from the president, who arrives in Naples to the ill-concealed annoyance of the commanding general. He turns her over to an Italian liaison officer who shows her the city's gruesome sights and gives her the Latin-lover works.

The hysteria on the screen runs pretty high at times, but despite the solemn intent the spectacle resembles an inebriated Halloween frolic rather than a sociological report on war's aftermath. The lurid sequences — the sale of children and the sexual cavorting — induce the gasps of a Luna Park tunnel of horrors and similarly betray artful manufacture. It lacks conviction and the required bitter humor, while the script leaves the actors to save themselves as best they can.

Burt Lancaster caricatures the general amusingly and Marcello Mastroianni is his usual bland self as the obliging Italian officer, while Ken Marshall as the idealistic U.S. captain and Liliana Cavani as a girl rescued from prostitution are attractive players. (Billed as "La Pelle," it is at the Gaumont Les Halles, the Hauteville Pathé and the Quartier Latin in its original Italian-English version.)

André Téchiné's "Hôtel des Amériques" is another investigation of amour in the somnambulist style of the post-New Wave. It seems to take forever to get nowhere, his evasive meandering has been praised in some quarters as exemplary subtlety. The logical development of this school would be to have one sit before a blank screen for two hours.

The premise is an enigmatic romance born of a chance meeting. A young fellow of petit bourgeois family in Biarritz is given a lift by a hospital nurse who is motoring to work. She is a solitary sort and

not anxious to maintain the acquaintance, but the man is insistent and slowly — everything happens very slowly — she enters into a love affair with him. Their attachment flowers and then fades and to pad the traffic of this frail tale there is endless, purposeless talk, glimpses of the man's home life and his friendship with a flop pop composer, and the partial revelation of the woman's past.

Catherine Deneuve's chilly beauty is in tune with the role of the heroine and Patrick Dewaere, a pleasant juvenile, is the confused lover who, like the rest of us, wonders what is going on. (At the Publicis Saint-Germain, the Publicis Champagne-Elysées and the UGC Opera.)

Louis de Funès is the French cinema's favorite funnyman, his replacement for the lamented Fernandel. After a lengthy absence he is back in a new but very grubby affair, "La Soupe aux choux."

It is an exceptionally crude collection of feeble gags with de Funès and Jean Carmet as a pair of elderly farmers who in the dire midnight of old age are whisked away to extended longevity by a visiting Martian who relishes their cooking and wine and invites them to his planet. De Funès repeats his well-known fits of exasperation, but he deserves a better vehicle. (At the Matignon Concorde, the UGC Odéon and the France-Elysées.)

A more vivacious French film is "Comp de sorches." It is occasionally repetitive and hammers its points — no subtlety here — but at least one does not feel the urge to send its director, Bertrand Tavernier, an alarm clock.

What he has done is to take an American novel about racism in the Deep South and transplant it to a French colonial town in Africa on the eve of World War II. In this deplorable community a despised and cuckolded policeman stumblingly undertakes a campaign to rid the place of crooks, pimps and other riffraff. The ugly picture it paints of stupidity and debasement is offered as a critique of colonial rule.

Philippe Noiret as the lawman who looks like a beachcomber delivers a characterization of Falstaffian proportions, and Isabelle Huppert, so often type-cast as the dreamy maiden, has a holiday from such assignments as a rumpantly unrefined shrew. (At the Paramount Marivaux, the UGC Opera and the Monte Carlo.)

A Feast for International Groupies

By Michael Zwerin
International Herald Tribune

PARIS — The World Power Foundation wants "to establish slavery, human sacrifice, polygamy and polyandry, morality equal to pleasure, carnal religious and debt-free economics."

The aims of the Fair Play for Frog Committee (Nestlé J. Froh, chairman) are "to protect and promote the humble frog, to enhance its image in worldwide society, and to relentlessly harass manufacturers of the said humble frog until they repent and are shriven."

These are among the 14,784 bodies buried in the 1,208-page 19th edition of the Yearbook of International Organizations, published by the Union of Interna-

tional Associations (UAI) in collaboration with the International Chamber of Commerce, both incidentally listed in their own yearbook.

The Mafia is listed ("address unobtainable"), as is the European Committee for Homage to Heroes of the SS ("defunct"). The Second-and-a-Half International, Buxton Belles International, Mothers-in-Law Club International, International Association of the Bald-Heads and the World Association of Document Examiners.

Seriousness Prevails

The number represents an 80 percent increase over the last edition (1979), and 227 percent more than in 1960. Any organization with a letterhead and members in

more than three countries is eligible, but don't be misled — most of them are very serious indeed.

They include every imaginable aspect of human activity — science, technology, social welfare, religion, trade unions, commerce, health, arts, youth and sport, governmental, intergovernmental and regional bodies.

The UAI was founded in Brussels, where it still has its headquarters, in 1910. It's first yearbook listed 200 organizations. It survived two world wars, Nazi administration, and the absorption of sections of its original program by other international bodies.

The assistant secretary-general, Anthony Judge, points out: "We are the first international organization to apply advanced text-processing computer techniques to all phases of editorial work on publications requiring extensive multilingual indexing. Some of these organizations have as many as three subjects named in the title, and their official names are often in three languages with corresponding abbreviations. Access must be made possible via any combination of these elements as well as secretariat location, date of creation and officer names."

Realism in Humor

"One of our most important and delicate tasks is to make clear what is noise in the system. We don't want to turn international affairs statistics upside down. That is why we have structured the book so that it begins with serious organizations, and then there are various categories of less serious and borderline cases, including non-organizations like APHIA."

APHIA's co-founder Alfred E. Davidson objects: "I hope, Tony, that you are not equating 'serious' with 'important.' I consider our peace plan quite realistic."

APHIA (the Association For The Promotion of Humor in International Affairs) peace plan is constructed on "man's three basic characteristics: instinct for survival, interest in the frivolous and a penchant for being lazy."

The yearbook is available from the ICC Publishing Corp., 501 Second Ave., Suite 1204, New York 10017, N.Y., for \$105.

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Joan Sutherland: Viva Verdi

By Henry Pleasants
International Herald Tribune

LONDON — Dame Joan Sutherland is back at the Royal Opera, Covent Garden, on one of her rare visits to the stage from which her career was launched, appearing as Leonora in "Il Trovatore," a role she has sung only once before, in San Francisco six years ago.

It is a role well suited to Dame Joan's voice at this stage of a career now extending beyond 20 years, and at the premiere it found her relishing just those daunting episodes of altitude and fioritura that cause the most trouble for the *lirico spinto* sopranos usually cast as Leonora. She began tentatively, and there was evidence of vocal decline in the lower lying passages, but by the great scene in the fourth act all was in order, and she rose to the occasion with a beautifully sustained legato and impeccably accurate embellishments.

She offered, indeed, the most refined singing of a notably full-throated cast, "Il Trovatore," with its urgent rhythms and lurid situations, invites exuberant and emphatic vocal utterance, and this was generously supplied by Franco Bonisoli as Manrico, Yuri Masurok as the Count di Luna and Elena Obratsova making a Covent Garden debut as Azucena. This was fine, old-fashioned, uninhibited Verdi.

Bonisoli brought the house down with an exultant 15-second high C at the end of "Di quella pira," and even joined Dame Joan on an interpolated D flat at the close of the first act. Masurok revealed in the high tessitura of Luna's music, and Obratsova favored us with baritone chest tones no longer fashionable but thoroughly appropriate to the character and music of the old gypsy. The conductor is, of course, Dame Joan's husband, Richard Bonynge, and he wisely gave so redoubtable a cast their heads — or their throats.

Further performances are on Dec. 18 and 22 and Jan. 1 and 4.

Typical Dutch?



number of the most well-read publications in the Netherlands. Proof: 'De Financieele Telegraaf' A daily section of 'De Telegraaf' and, as such, Holland's largest special interest section in the field of finance, economics, trade and industry. 'De Financieele Telegraaf' supplies its readers — both editorially and in advertising — with a fund of information about banking, investment, international industry, fiscal matters, management, etc. And our Financial and Industrial Marketing Service (F.I.M.S.) gives you made-to-measure advice. If you want to reach one out of five businessmen or 50% of all top executives in Holland, you have to advertise in 'De Financieele Telegraaf'. A typically Dutch way to reach an influential market!

Typical Dutch!

Cattle markets, windmills and dyke-building are typically Dutch indeed. But so are 1.5 million decision makers with a large financial economic influence. Here is something about the media to reach them.

The Netherlands of the eighties is more than the fairy-tale country that some tourists still expect to find. The Netherlands prove repeatedly to be a lot greater than its geographical size would suggest. Because of its position, it is strongly internationally oriented; familiar with all brands in the world; open minded enough to try them. And financially sufficiently strong to buy them as well. Because Holland belongs to the 10 richest countries in the world.

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Jaruzelski Presides Over a Flashpoint

By Tom Wicker

Jaruzelski and Walesa

With Poland sealed off, one can only imagine the fateful talks between Gen. Wojciech Jaruzelski and Lech Walesa, the Solidarity leader he holds in "respected" custody.

J: I plead with you to plead with the people to go to work, to end the defiance of authority, to save us from bloodshed, to avoid testing the army's loyalty, to spare us from Soviet tanks. Help make Poland whole again. W: I cannot plead with or speak for people with whom I am not allowed to communicate. You cannot invoke authority over workers with whom you refuse to negotiate. You can silence the people and arrest their leaders. You can force them, on pain of hunger, or death, to move their shovels and turn the machines. But that won't lift their spirits and make them productive.

bid the people to work, to accept authority and my promise of continued reform when conditions permit.

W: The government does not lack for hot-heads. It is too easy to blame extremists, on either side. The people will work well only if they have confidence in the leadership and in the plans for progress. And for that they need to have their chosen representatives read the ledgers and help make the rules. They will not believe in words, even mine. J: The measures I have taken may appear extreme, but you must know that they are designed to head off worse. Solidarity is suspended, but not outlawed. Its leaders are detained, not arrested. The emergency can be temporary if patriots will pull together. Poland's destiny is Socialist and Soviet. But there is still time to avoid open conflict and foreign intervention. Go to work and, with your blessing, the West will sustain us through the winter and let us demonstrate that we can pay our way and build a new order—together.

W: Whatever I could say in these circumstances will appear to be a betrayal to save my skin. You ask for my trust, but you do not trust me and Solidarity. Ours is not a movement of agitators whose removal will clear the air. It is the working people who rebelled and recognized their power to influence their destiny. Do not misjudge their mood by their confusion of one day, or week.

J: I understand their frustration and their anger. That is why I beg you to speak out for order, before blood is spilled. Have you not heard the pope's prayer? Do you not value mine? The people await your guidance. THE NEW YORK TIMES.

NEW YORK — Poland under Gen. Wojciech Jaruzelski's martial law is a tragic reminder of the Soviet system's inability to provide its people with sufficient freedom or sufficient goods, and of its consequent dependence upon force. That may be a vindication of Western values and achievements. But it is frightening, too, because this sad repression—no doubt necessitated by Soviet pressures—is also a reminder of the nuclear abyss at whose edge the two superpowers stand poised. If the Polish people resist and Soviet forces have to be called in to suppress them—or if Poland remains a nagging, insoluble prob-



A General Gambles In Poland

By Rowland Evans and Robert Novak

WASHINGTON — President Reagan's advisers see a strong probability that Gen. Jaruzelski will lose his martial law gamble, with resulting direct Soviet intervention in Poland perhaps costing the lives of hundreds of thousands of fighting Poles.

Loss of the gamble would plunge U.S.-Soviet relations into a new period of cold war and transform the East-West struggle that has shown some recent signs of easing under pressure of the West European peace movement.

Jaruzelski is gambling that the threat of Polish military force will tame the Solidarity workers' peaceful, democratic revolution, which is anathema to Moscow. To win his bet, he must persuade the U.S. to become a submissive partner in a Communist regime that has flunked every economic test and resisted every political test since Solidarity's banner first flew in Gdansk in August, 1980.

It is doubtful that Jaruzelski's army and its 36,000-man paramilitary security forces can conceivably come up with threats of reprisals not only to forgo the priceless strike weapon but also to turn out goods for an economy that the Communist Party has destroyed. Failure would bring Soviet troops into the streets of Moscow's largest satellite.

On Sept. 4, 1980, hard-line Communist leader Stefan Olszowski, a survivor of recent party purges by virtue of his Soviet backing, ordered Jaruzelski, then the defense minister and Poland's top Warsaw Pact general, to deploy his forces in Silesia, the heart of Poland's industrial coal region. Jaruzelski rejected the order, claiming that it would convert "all our factories" into "fortresses" against an army regarded as more loyal to Solidarity than to the Communist Party.

But 15 months later, Moscow's rising fears that the Solidarity movement threatened the very existence of a Communist-run Poland produced pressures that changed Jaruzelski's mind and persuaded him to take the gamble. Top administration officials say he has a maximum of two to three weeks to show Moscow that the gamble is paying off.

Despite late-burning lights at the State Department and the Pentagon, President Reagan's national security advisers say there is no way for the United States to affect what happens in these two to three weeks. For now, they have ruled out "economic" reprisals against Moscow. Except for public warnings to the Soviets to keep out, and except for planning economic sanctions on grain and technology if Moscow intervenes, the United States and its Western allies claim they are helpless bystanders. The mood in the White House is all the more one of frustration in that last Thursday, after months of internal debate, Reagan had changed his mind and approved an emergency food package worth \$100 million for immediate shipment to Poland.

When a larger aid package was considered "last" week, President Reagan vetoed it in accord with his hard-nosed anti-Communist ideology, overruling strong backing in the State Department and the Pentagon. But last week he accepted the argument that food shortages would pressure more anti-government protesters from Solidarity and the general public, giving the Soviets added leverage to pressure Jaruzelski to move directly against Solidarity.

Reagan changed his mind for a strategic reason: Solidarity's peaceful revolution should be indirectly sustained as a political force that might spread to other Soviet satellites and the Soviet Union itself. Earlier challenges to Soviet power in East Berlin in 1953, Hungary in 1956 and Czechoslovakia in 1968 flared briefly and faded. He decided that withholding aid would victimize Solidarity and give Moscow greater pretext to salvage its immense stake in preserving Poland for Communism.

Before the decision could be announced, Jaruzelski decided to take the gamble that what he calls "shock and demoralization" can be "achieved and demoralization" while he invokes martial law. With Solidarity leaders under detention, U.S. aid now would be preposterous.

Letters intended for publication should be addressed "Letters to the Editor," and must include the writer's address and signature. Priority is given to letters that are brief and do not request anonymity. Letters may be abridged. We are unable to acknowledge all letters, but value the views of readers who submit them.

This sad repression is a reminder of the nuclear abyss at whose edge the superpowers are poised.

lem for the Russians—or if the Polish "disease" breaks out elsewhere in Eastern Europe or in the Soviet Union itself—or if domestic instability leads Moscow into either adventurism abroad or head-on defiance against the world... Any of these developments would pose real dangers of East-West conflict. With the huge nuclear arsenals available on both sides, avoiding their use in such a conflict would be miraculous. In the Middle East, in Southeast Asia, in southern Africa, as well as in Europe, the possibility of a flashpoint cannot be ignored. And the next flashpoint—whether in Poland or elsewhere—may not be limited, or limitable, to a Korea or a Vietnam, a Hungary or an Afghanistan. The next flashpoint may be the last. It is that stark realization of the danger of an unintended slide into nuclear holocaust that is at the root of the anti-nuclear movements in Europe and in the United States. A major new political movement may be gathering worldwide. Even as the Polish Army prepared its takeover, the Vatican announced that Pope John Paul II would send aides to Washington, Moscow, Paris, London and the United Nations to urge an end to the nuclear arms race. Last month Archbishop John Roach, president of Roman Catholic bishops in the United States, declared that the Church needs to say "no" clearly and decisively to the use of nuclear weapons. On what used to be called Armistice Day, thousands gathered on university campuses across America for anti-nuclear weapons "teach-ins" sponsored by the Union of Concerned Scientists, reminiscent of those that once inspired the anti-Vietnam peace movement. The Journal of the American Medical Association—one of the most conservative of organizations—recently printed under the heading "Commentary" a powerful article in which Dr. Bernard Lown of the Harvard School of Public Health wrote that "only an aroused public opinion can compel political leaders to stop the spiraling nuclear arms race." His article cited two organizations of physicians that are now working toward that end. A group that calls itself Californians for a Bilateral Nuclear Weapons Freeze plans a ballot referendum in California next year. If approved, it would urge the United States to propose to the Soviet Union that both "immediately halt the testing, production and further deployment of all nuclear weapons, missiles and delivery systems in a way that can be checked and verified by both sides." The wording of the planned initiative suggests that the anti-nuclear movement is not an effort for "unilateral disarmament." Instead, an expanded consciousness about the threat of nuclear war and world destruction is often com-

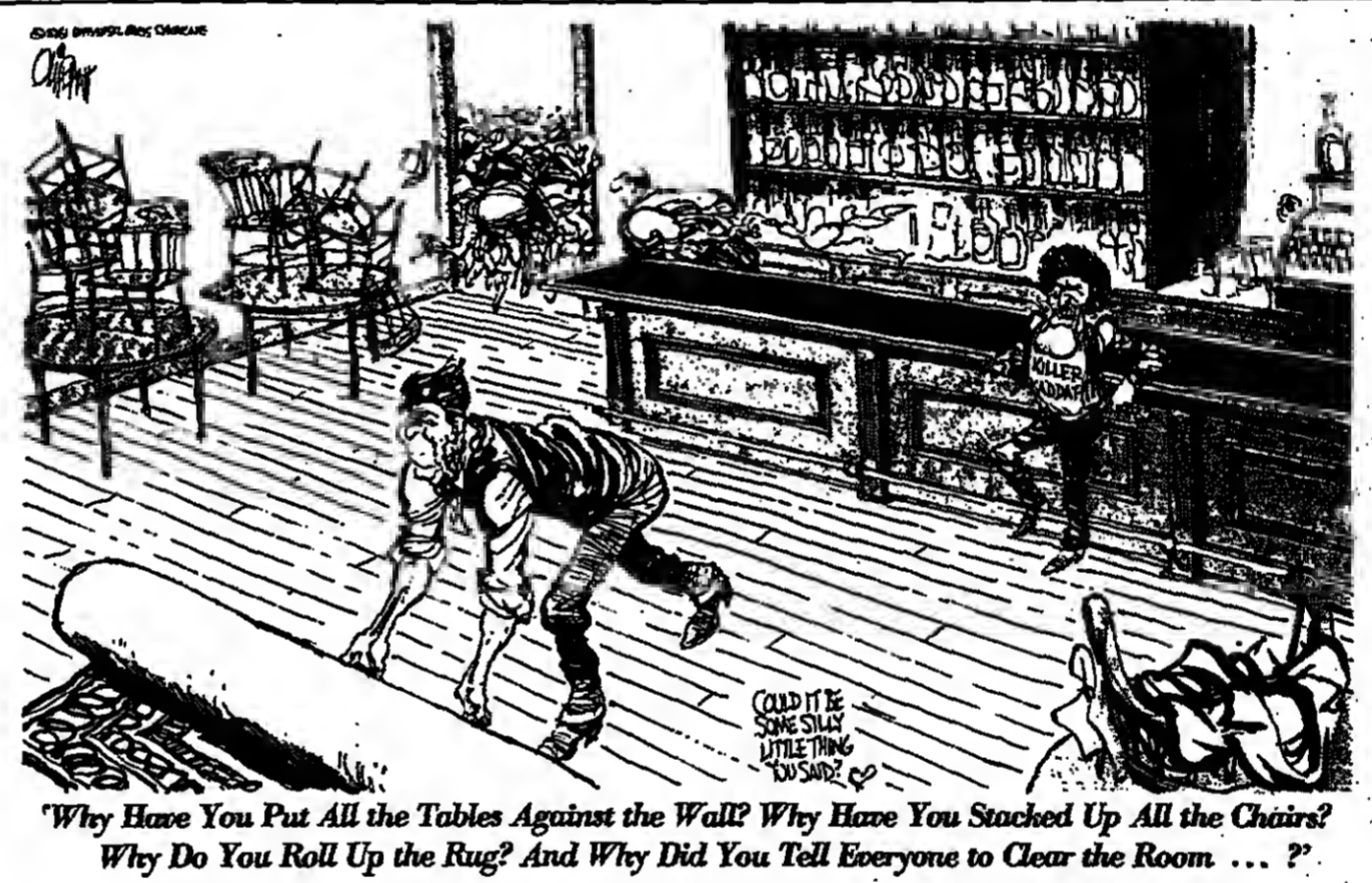
Thomas J. Watson Jr., the former ambassador to Moscow, pointed out to the same group that President Reagan's strategic weapons program does not violate the limits of the unratified SALT-2, and that Reagan has said that "we can benefit from work done over the past decade" in strategic arms negotiations. If that is his belief, Watson suggested, the president should immediately appoint a group of former secretaries of state and defense, former chairmen of the Joint Chiefs, and others equally qualified, to review SALT-2. If such was "in the best interest of U.S. security," their support could help him if he decided to renounce it for ratification, despite his own past opposition. Reagan is unlikely to do that. But he is too good a politician not to sense these powerful and growing pressures. ©1981, The New York Times.

Pulling Out of Libya

The Reagan administration was quite right to ask the American oil companies to pull out of Libya, and long American tradition endorses that decision. There has been some grumbling here and there that boycotts and economic sanctions are always ineffectual. No doubt that is true. But Mr. Reagan is not endeavoring to establish a worldwide boycott of Libyan oil. He is not threatening to try to cut off Libyan oil revenues completely. Instead, he is offering a political judgment and condemnation. He says that, since Libya uses its oil wealth to support a sustained, highly professional campaign of assassination and terror, companies that operate under the American flag have a moral obligation not to contribute to the Libyan Treasury. Libyan revenues probably will not suffer much, since Libya can go to Europe for technicians to run the fields and for customers to take the oil. Wisely, Mr. Reagan has chosen not to try to press the Europeans into joining this gesture of condemnation. There are much larger issues to be worked out among Americans and Europeans, most of them concerning weapons and the Atlantic Alliance. But it is worth at least noting in passing that the Europeans' troubles with the Qadhafi regime are largely the result of their own complaisance. Col. Qadhafi's hit squads have been roaming around Western Europe

for several years murdering the colonel's alleged enemies with very little interference, or even comment, from the governments there. In the past few days, at the NATO meetings in Brussels, the West Germans and the French have been telling the United States that it really ought to make an effort to be more friendly to Col. Qadhafi.

When pressed on the matter, Europeans usually wring their hands and explain that, in contrast to the fortunate Americans, they are desperately dependent on North African oil. At the moment, of course, that is nonsense. Because the sellers have shot their prices up too high, there are vast amounts of oil for sale throughout the world. One African democracy alone, Nigeria, could replace Libya's entire current production overnight. Europe seems to accept the occasional Libyan outrages as the price of not doing anything about them. Most Americans would probably be inclined to a different response. For the present, it is necessary to suspend judgment on the strange reports of assassins moving toward American officials. But the evidence of Col. Qadhafi's murderous pursuit of dissident Libyans in other countries is beyond dispute. Mr. Reagan has now properly withdrawn American support from the business that pays the Libyan gunmen's bills. THE WASHINGTON POST.



Other Opinion

Poland After Jaruzelski's Coup

Suffocation of the legitimate grievances and demands of the Polish people as represented by Solidarity will hardly prove a realistic solution. — From The Korea Herald (Seoul). As a military man who enjoys widespread respect, Gen. Jaruzelski is supposed to be in a better position than his predecessor to hold middle ground between the party's reformers and die-hard conservatives, and, more importantly, to steer the country out of its economic crisis. But even he has few options in face of the pressure built up by the militants. It is clear that Solidarity itself cannot stop all the strikes. In this sense, the growing militancy of Solidarity could have played into the hands of the party hard-liners. — From The Straits Times (Singapore). Solidarity leaders and activists have only themselves to blame for the possibly fatal blow their aspirations and ambitions have received with the imposition of emergency and martial law in Poland. — From the Indian Express (Bombay). When [Poles] are united, they are forgotten; when they quarrel, interested foreign elements tend to adopt one side or the other, with monopolistic mass media having a worldwide clientele trying to fuel the quarrel. It is the duty of all Poles to prevent such interference in their internal affairs. The best way to do this is to patch up their differences and become a united national again. — From the National Herald (Lucknow).

[Gen. Jaruzelski] must both win the trust of the workers and ditch the present discredited planning system in favor of economic incentives. Otherwise he will become commandant of an impoverished prison camp, over which the Polish flag still flies and in which Roman Catholic Church parades are still judiciously tolerated. — From the Daily Mail (London). There must be no repetition of the misunderstandings and the romantic rumors which encouraged doomed resistance in Hungary a quarter of a century ago. But the West can and should do more than issue warnings to influence the course of events. It could give urgent and specific promises of aid to help Poland out of chronic economic crisis. That aid should have been forthcoming months ago. Had it been, Poland might not today boast the dubious distinction of being the first European Communist nation to suffer direct military rule. — From The Guardian (London). Solidarity's challenge is not the redress of social and economic grievances but the reconstruction of the entire Communist society and economy. It is not the corruption of Communism that is viewed as the enemy, but Communism itself. — From The Jerusalem Post. If the Poles got themselves into this mess, they ought to get themselves out of it. Above all, the Polish problem must remain a problem for the Polish people, not a bone over which East and West fight like hungry dogs. — From The Herald (Salisbury).

Turkey's Generals Don't Look Like Democrats

By Pierre Schori

STOCKHOLM — At a time when the United States is offering a large package of military aid to Turkey and calling for increased defense cooperation, there is growing concern in Europe over the apparent reluctance of the military junta to take concrete steps toward restoration of democracy, which it promised at the start of its rule on Sept. 12, 1980. The Council of Europe, an organization of 21 West European democratic countries, which forced the erstwhile junta in Athens to withdraw Greece's membership, is considering suspending Turkey. The governments of Denmark and Norway recently froze financial aid to the Turkish junta, and the European Economic Community has suspended an aid package of \$600 million. The U.S. attitude seems to be going in a quite different direction. On Feb. 21, the supreme commander of NATO forces, Gen. Bernard W. Rogers, urged \$3 billion to \$6 billion in aid to modernize Turkey's armed forces. In fiscal 1980, U.S. aid to Turkey totaled \$450 million; in 1981 it was \$547 million, and for fiscal 1982 President Reagan has asked Congress for \$703 million, of which \$603 million in military assistance. Defense Secretary Caspar Weinberger's recent praise of the junta did more for an Orwellian "1984" than for democracy. America seeks restored stability in Turkey, but there can be neither stability nor security when stagnation and oppression are the main characteristics of a regime. The demise of the Greek junta was evidence of this. Today, 15 months after the coup in Turkey, democracy is not being consolidated, only dictatorship and arbitrary military law, leaving all power in the hands of the National Security Council. Furthermore, we can discern the foundations of a coming totalitarian society in which the military may formally withdraw to the barracks but retain power through a number of institutions and bodies that it controls. Thus, university autonomy has been crushed; a State Supervisory Council with sweeping powers to monitor the functioning of all

state institutions and organizations has been established; an oppressive labor law is in the making; military control over education and justice has been imposed; parties and independent trade unions have been abolished, and the press has been muffled. The handicapped Constituent Assembly has no power. "Terrorism in the streets has been stopped, it is true, but it was replaced by state terrorism." I was told in Turkey recently. The main idea behind Turkey's alignment with Europe was to modernize the society through West European influence. The irony is that Turkey is influencing Europe by the generals' introduction of methods borrowed from Latin America. Systematic torture is rampant against political and trade union dissidents. One center of torture is the Otazgi Humayun building in the Davutpasa barracks in Ankara. According to Amnesty International, at least 20 people have died in Turkey after torture. Death sentences are demanded by the hundreds, surpassing some of the worst standards in Latin America. All 52 accused in the coming trial of the leaders of the Confederation of Revolutionary Trade Unions are threatened with execution, as is the former mayor of Istanbul, Ahmet Isvan, a Social Democrat, accused of giving the federation "ideological leadership." Political prisoners fill the jails — there are at least 30,000. I met two journalists, Ihan Akalin and Metin Caluoglu, who were sentenced to seven and a half years for publishing "Marxist articles" before the coup and who were waiting to go to prison. Everything is taken away from prisoners and their families. The regime is selling all the belongings and buildings of banned organizations, including a trade union summer camp. Bulent Ecevit, a former premier

Letters

Turkey and Cyprus With respect to the editorial "NATO Looks at Turkey" (HT, Dec. 8): Surely there is another question that the NATO ministers should be asking concerning Turkey: How long can it be allowed to occupy 40 percent of Cyprus in flagrant violation of international law? P. HADJIYANNIS, Embassy of Cyprus, Paris. Whose Business? The British Embassy in Manila recently communicated to the Philippine Foreign Ministry Britain's "repugnance" at photographs showing a dog muzzled by wire with its front legs tied behind its back, apparently on its way to slaughter for eating. The Foreign Ministry replied that the treatment and consumption of dogs in the Philippines was an internal affair. M. ARIELL, London. The writer, international secretary of the Swedish Social Democratic Party, led a party delegation that visited Turkey during the last week in November. He contributed this comment to The New York Times.

Dec. 16: From Our Pages of 75 and 50 Years Ago

1906: Tension in Persia TEHRAN — There has not been such tension in Tehran for 10 years. One and all expect the death of the shah and are nervous as regards what may follow that event. Mozaffar-ed-Din has been little more than a figurehead during his 10 years' reign. Kindly intentioned, doubtless, but lacking lamentably in force of character, an ill man all the while, which may account for a life of self-indulgence and little beyond that. What is troubling are the well-known intrigues regarding the succession. In Persia it is not always the eldest son who succeeds to the throne: The expiring shah himself is a second son. His three elder sons all have the keenest desire to ascend the throne.

1931: Uprising in Shanghai SHANGHAI — A mob of 100,000 frenzied students is in virtual control of the Chinese government, after the resignation of President Chiang Kai-shek and the collapse of his administration. Thousands of rioting students defied the police in Nanking, while in other cities mobs celebrated the defeat of China's strong man by wrecking government buildings. Renewed fighting in Manchuria suggests that the Japanese military command there has seized on the situation to strike a mortal blow to Chinese power in the disputed province. At Chinchow, the last Chinese stronghold in Manchuria, 2,000 students demanded that Chinese troops rise and drive the Japanese out of the country.

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Canada

A SPECIAL SUPPLEMENT

Toronto: For Financial Activity, 'This Is Where It's At'

By George Brett

TORONTO — Until the West gets more population, I don't care how much goddamned oil they discover in Alberta. Toronto, and not Calgary, is going to be the place where you do the deals — just like it's New York and not Houston where you go for the really big business... This is where it's at. — John Bassett, chairman of Bato Broadcasting Inc., quoted in Peter C. Newman's recently published book, *The Acquirers*.

Though others tend to make the point more tactfully, Toronto is indeed where it's at. Mr. Newman, editor of the weekly newsmagazine *Maclean's*, estimates that at least \$1.5 billion changes hands every working day in Toronto's financial canyons, ranking the city as the world's sixth most significant financial center. In the oil-boom year of 1980, Calgary check clearances totaled \$235 billion. Yet the same year, when Toronto was undergoing a psychic slump, the total checks amounted to \$3,078 billion. Whereas Manhattan is the headquarters of about one-tenth of the American corporations that make up the Fortune 500, Toronto is home to nearly half of the top 500 Canadian companies.

The Toronto Stock Exchange does most of the equity trading in Canada — 77 percent of the \$38.2 billion in listed stocks last year and 81 percent of the \$26.1 billion traded in the first nine months of 1981.

Legions of Graduates

The University of Toronto, Canada's largest, and York University turn out legions of lawyers, business graduates, architects, engineers and accountants who each



Toronto: Home to nearly half of the top 500 Canadian companies.

year begin their corporate apprenticeships in the world-size corporations based in Toronto. Toronto is the home of 152-year-old Upper Canada College — the prep school where much of Canada's business establishment learned the basics of excellence.

The biggest investment, legal and accounting firms have their largest staffs here to serve the corporate giants. In the broadest sense, Toronto is an area of 2,700 square miles that is home for 3.4 million people. In the narrower sense of the two cities (Toronto

and North York) and four boroughs (Scarborough, York, East York and Etobicoke) that make up metropolitan Toronto, there are 2.8 million people, while the city of Toronto itself has fewer than 700,000 people. The financial heart of the city is

about a dozen blocks centered at the intersection of King and Bay Streets. Within a few hundred yards, the huge bank towers — the Bank of Montreal's aluminum-clad First Canadian Place (at 74 stories the highest and most capacious in Canada), the three black towers of

the Toronto Dominion Center, Commerce Court (named for the Canadian Imperial Bank of Commerce) and the Royal Bank Plaza (whose gold-colored glass cladding gets its color from gold dust embedded in the glass) — house many of the headquarters of the companies that call Toronto home. Possibly the least imposing building in the immediate area is the circa-1937 Toronto Stock Exchange on Bay Street. For Canadians, Bay Street means exactly what Wall Street, with its connotations of money and stock trading, means to Americans. The exchange outgrown the low-rise building and its staff has spread into three nearby locations.

\$350-Million Building
But a \$350-million building, the Exchange Tower, is taking shape a block away. Next year, the exchange's staff will move in, with trading on the 33,000-square-foot exchange floor to begin early in 1983.

Murray Howe, vice-president of investment dealer Greenshields Inc. and current chairman of the Toronto Stock Exchange, said the exchange is already the third largest in North America, after the New York and American Exchanges. With its new capacity, he hopes it will not only be able to expand its equity trading but will make inroads in the options and futures markets as well. "The new exchange," he said, "will provide the most modern facilities in the world."

Toronto has not always been pre-eminent. Before World War I, when Montreal's St. James Street was Canada's Bay Street, Toronto was a sleepy provincial city that

(Continued on Page 9S)

Takeover Fever Grips The Corporate Scene

TORONTO — If the world, and especially the United States, is suddenly becoming alarmed about the takeover activities of Canadian business, it's only because Canadian corporate raiders recently have been conducting raids that attracted international attention.

To mention only the multi-billion-dollar acquisitions that took place this year (a Canadian dollar is worth about 83 U.S. cents), there has been Dome Petroleum Ltd.'s \$1.68-billion acquisition of 53 percent of Hudson Bay Oil and Gas Co. Ltd. from Conoco Inc.; the \$1.46-billion purchase by Petro-Canada, the national petroleum company, of Petrofina Canada Ltd.; Canadian Pacific Ltd.'s \$1.1-billion takeover of Canadian International Paper Co. Ltd.; and Seagram Co. Ltd.'s \$3.1-billion acquisition of 25.5 percent of Conoco (to be swapped for 20 percent of E.I. du Pont de Nemours & Co.).

Long before press coverage put them in the international spotlight,

Ottawa has had antitrust legislation on the books since 1910. An official of the federal department that administers it — the Department of Consumer and Corporate Affairs — says that it is effective against price-fixing but that it has been "unenforceable" against mergers. It has not succeeded in setting aside a single merger in 71 years.

Over the last six years, as inflation has made it increasingly more economical to take over existing companies rather than build new capacity, the number of significant takeovers recorded by the department has increased each year, from 264 in 1975 to 511 in 1979.

Though the number slipped last year to 414 (it is expected to hit 480 this year), the size of the deals took a quantum leap this year as giants gobbled giants, and especially American giants. This latter trend, which has been more evident in 1981 but has been growing since the mid-1970s, is a simple reflection of the fact that expansion into the 10-times-larger market next door is a natural step for a Canadian company once it feels limited by a population of only 24 million.

A study by the Bank of Montreal estimates that Canadian companies spent at least \$9 billion in the first six months of the year (the figure does not include the Seagram acquisition of Conoco shares) on acquisitions, about three-quarters of them involving the takeover of Canadian assets.

Bank Lending Curbed
The outflow of money to pay for the purchases was such a depressant for the Canadian dollar that in July, Finance Minister Allan Rock was compelled to ask the major banks (they invariably comply with such requests) to ease up on lending for foreign takeovers. At the time, the Canadian dollar was hovering at a 50-year low of just over 80 U.S. cents, and the bank study estimated that buyouts of foreign companies were responsible for 1 1/2 cents of that decline.

That the situation was serious is inherent in the fact that Mr. MacEachen's request applied to takeovers in the energy field, where encouragement of such takeovers is part of national policy.

That policy is the National Energy Program, announced in October, 1980, by which, among other things, Canada stated its intention to increase domestic ownership in the energy industry from 28 percent to at least 50 percent by 1990. (In a year, the proportion has increased to 35 percent.)

A key part of the program is to offer tax incentives for "frontier" exploration (in the Beaufort Sea and Arctic Islands, and off the east coast) based on the degree of

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As inflation made takeovers increasingly more attractive, the number of significant ones increased dramatically — from 264 in 1975 to 511 in 1979.

Canadian companies were busily taking on each other, not Americans. Expansion by acquisition is a grand old Canadian tradition that pre-dates hockey. Companies have been gobbling each other up throughout Canada's history and Canadian governments have actively encouraged corporate giantism.

The trend can be traced to 1821, when the Hudson Bay Co. climaxed its occasionally physical warfare for control of British North America's fur trade by absorbing its bitter rival, the North West Co. (Hudson Bay, independent since its founding in England in 1670, was itself taken over in 1978 by the Kenneth Thomson newspaper family.)

Later, when Canada became a country in 1867 and needed a continental railway to tie its diverse regions together against American expansionism, it offered the Canadian Pacific Railway \$25 million, 25 million acres and a guarantee against competition. The railroad, completed in 1871, was the foundation of a Canadian Pacific empire that has grown into Canada's largest corporation, with 1980 revenues of \$9.98 billion.

Trudeau's Challenge: Constitutional Reform

By Anne Gregor

OTTAWA — Pierre Elliott Trudeau remains Canada's contradiction, 13 years after he first took office as prime minister.

In a low-key and cautious country, Mr. Trudeau is mercurial and opinionated. His bachelor spirit, wealth, and charm and wit in debate continue to please his supporters. His detractors focus easily on his personal venom and his open indifference to subjects that don't interest him. Canadians' opinions about their prime minister are thus rarely cloudy.

But much is murky for Mr. Trudeau. He has tried to accomplish constitutional reform for Canada, a task that has preoccupied him for much of his adult life. It is an enormous job that would remove the anachronism of constitutional control from Britain, set a new mechanism for amendments, and establish guiding principles in a national bill of rights.

The prime minister's plans have been strongly opposed. First, eight of the nation's 10 provinces sought to change the terms of the 1982 agreement. Then, an agreement brought all the provinces but Quebec together. Today, Mr. Trudeau faces the domestic instability he has long worked to avoid. Far from fitting Quebec comfortably into the

Canadian fold, the province's native son has added to the platform of separatist forces.

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As Mr. Trudeau and the premiers of predominantly English-speaking Canada rejoiced at the agreement, Rene Levesque, the premier of Quebec, said that it would impose a constitution on French-speaking Quebec.

"It will be up to the Quebec people to draw their own conclusions," he said.

[Mr. Levesque called this week for a Parti Quebecois referendum on independence for the French-speaking province, and said that he would resign if the vote were for independence without economic ties to Ottawa. Radical elements in his party have been pushing for outright secession.]

It is a difficult, bitter chapter in Mr. Trudeau's career. At worst, his failure could split the country. "If he succeeds, his place in history is assured," said Garth Stevenson, a political scientist at the University of Alberta.

That Mr. Trudeau continues his push for constitutional change despite the friction it creates is very much in character, his biographers say. "Federalism attracted Mr. Trudeau because it was inherently rational," writes Richard Gwyn in



Pierre Elliott Trudeau

a recently published study, *The Northern Magus*.

The prime minister has sought to override the regional demands for power that have long kept Canada decentralized. Canada's existing constitution gave the provinces jurisdiction in areas that have become more important over the years. Successive federal governments have bargained away central powers such as everything from insurance to trucking load limits vary from province to province.

The result, as some see it, is the prospective economic balkanization of Canada.

In an effort to unify and centralize authority, Mr. Trudeau, in the

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Trade Image Is Being Polished

By Vanya Walker-Leigh

OTTAWA — "I've traveled 500,000 miles in the last 15 months," said the minister of state for trade, Ed Lumley, "and I expect I'll do the same in the next 15." Sensitive to criticism that he is seldom in Canada, Mr. Lumley points out that he is the first minister to be solely responsible for trade — previously the portfolio was combined with industry or commerce, and his predecessors had insufficient time left over for either trade problems or extensive travel.

"Canada has an image problem, especially with our nontraditional trade partners in the Third World, where the great opportunities exist such as major capital projects. Even Australian business missions visiting the U.S. seldom think of coming up here."

Traditionally, nearly 70 percent of Canada's trade (totaling Can.\$134 billion in 1980) has been with the United States. 13 percent with the European Economic Community and 5 percent with Japan. Mr. Lumley emphasizes the need to develop new markets in promising areas such as the Pacific Rim, the Middle East and Latin America.

Canada urgently needs to increase exports: The record Can.\$8-billion trade surplus last year was wiped out by a huge invisibles deficit — and the development of industry and natural resources is

bound to involve rapidly increasing imports of goods and capital. Last November, Mr. Lumley drew up an export strategy based on priority countries.

Government Programs
Government programs have been set up to help firms form export groups, transfer technology to Third World countries and set up joint ventures there. But proposals for a government trading corporation seem to have been shelved following opposition from business.

After a proposal by the Canadian Exporters' Association, Mr. Lumley recently established the Export Trade and Development Board, comprising business, labor and representatives of federal ministries and provinces as well as of the Export Development Corp. and the Canadian International Development Agency (CIDA). In contrast to the previous lack of dialogue between interested parties, export strategy will be hammered out by the board and eventually meshed into the government's industrial and agri-food strategies.

Examples of Canada's search to develop markets include the recent high-level mission to China of the Canadian China Trade Council — followed a few months later by a Can.\$80-million aid credit from CIDA, the signature of preferential trade agreements with Australia and New Zealand and an energy and industry cooperation agree-

ment with Mexico, and a subsequent sale to Mexico of Can.\$100 million worth of subway cars. Trade with the Pacific Rim and Third World countries has also meant some difficulties for Canada. Voluntary export restraint agreements in textiles and clothing are being negotiated with more than a dozen low-income countries, while Japan has agreed to limit automobile exports.

Export financing is still a major problem. Mr. Lumley pointed out: "We lose a lot of trade against our competitors. Last year we set up the credit mixte facility as a defensive move against nearly all other industrialized nations. Even if there are agreements inside OECD about basic consensus rates, some countries will go on offering preferential terms. The credit mixte involves very low interest rates on credits for exports faced by competition on third markets from similarly financed goods. The rest of the time, our exporters are charged [rates] higher than those of most industrialized countries."

Canadian banks are showing a willingness to step up their export financing, however; the Royal Bank has just set up an export finance company to aid small and medium-size exporters, while Scotiabank recently opened its fifth "international center" — centers that are located in major cities. Enthusiasm for new trading partners in Canada is reminiscent of similar attitudes toward the EEC, when Canada and the Common Market concluded an agreement in 1976 establishing a "contractual link." But in 1980, trade with the EEC fell only slightly from 13 percent of total Canadian trade — with Canadian exports there (85 percent raw materials and minerals) accounting for only 2.2 percent of EEC imports, against 2.7 percent in 1975.

Agreements on fish and cheese have run into internal EEC disputes, while the Common Agricultural Policy and the Common External Tariff constitute major obstacles to Canadian products. The EEC has complained of provincial liquor marketing practices and wine labeling, among other things, and has shown little interest in high-technology products. Mr. Lumley admits that the magic has faded, but Canada perhaps concentrated too much on persuading EEC officials of its case. Since Mr. Lumley took office, he has had many meetings with ministers of EEC member states to get the Canadian view across.

Eastern Europe
Mr. Lumley sees substantial opportunities in Eastern Europe, which has not been a very good market for Canada so far, apart from the credit-backed sale of two CANDU nuclear reactors to Romania.

Despite past and future efforts to seek new markets, the role of U.S. trade (Can.\$96.5 billion in 1980) will remain preponderant, businessmen say. Eighty percent of Canadians live within 100 miles of the border, and they still tend to

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An Energy Power to Be Reckoned With

CALGARY, Alberta — "What the big print gives, the small print taketh away" is the "oil patch" assessment of the five-year Energy Pricing Agreement (EPA) of Sept. 1, putting an end to the yearlong Alberta-Ottawa "energy war" that was sparked by the introduction of the federal New Energy Program in October, 1980.

Oil production cutbacks ordered by the Alberta government during the dispute have been ended, but Calgary's frenzied building boom has slowed to a near halt, and oilmen crowding into their exclusive club swap worries about the short run for the production of gas for export will affect their industry.

Existing oil reserves in Western Canada will be exhausted in 13 years at present production rates. The main goals for the EPA are to spur the search for new oil by instituting a steadily increasing two-tier price system. "Old oil" prices will be limited to 75 percent of the world price; "new oil" prices can rise to 85 percent of the world price by 1984. Separate prices are set for natural gas, although in the short run the production of gas for export will be restricted. There are also complex financial provisions involving taxes, royalties, special incentives to Canadian-owned companies, and a sharing of revenues between the provincial and federal governments.

Although supportive of the

EPA in their initial reactions, leading Albertan oilmen are less sanguine in private. "People owning old oil will not have the cash flow essential from that oil, or the gas, which is even worse, to search for and develop new oil," said John P. Gallagher, the chairman of Dome Petroleum. "Taxes should be deferred to encourage exploration, and the 25 percent back-in for Petro-Canada on Canada Land oil fields, as well as certain FIRA procedures, need modifying," he added. He hopes to win government approval for a \$40-billion plan to produce oil from the ice-bound Beaufort Sea. Dome's recent acquisition of Conoco's 52-percent stake in Hudson Bay Oil and Gas will also give it a big role off the Canadian East Coast.

Financing Exploration
Robert Blair, the chairman of Nova, an Alberta Corporation (NAAC), warned that companies will be forced to finance exploration through borrowing from banks or issuing stock. With extensive oil interests, Nova is also a leading gas pipeline constructor and petrochemicals producer but recently dropped plans to buy Shell Resources' Can.\$430-million Canadian assets, including a 22-percent stake in the Alsands oil sands project.

Donald Blackwell, senior vice president of Norcen, said that his company had cut 1981 exploration

expenditures from Can.\$200 million to Can.\$160 million after the New Energy Program (NEP), and might decrease Canadian activity in favor of U.S. exploration as a result of the EPA.

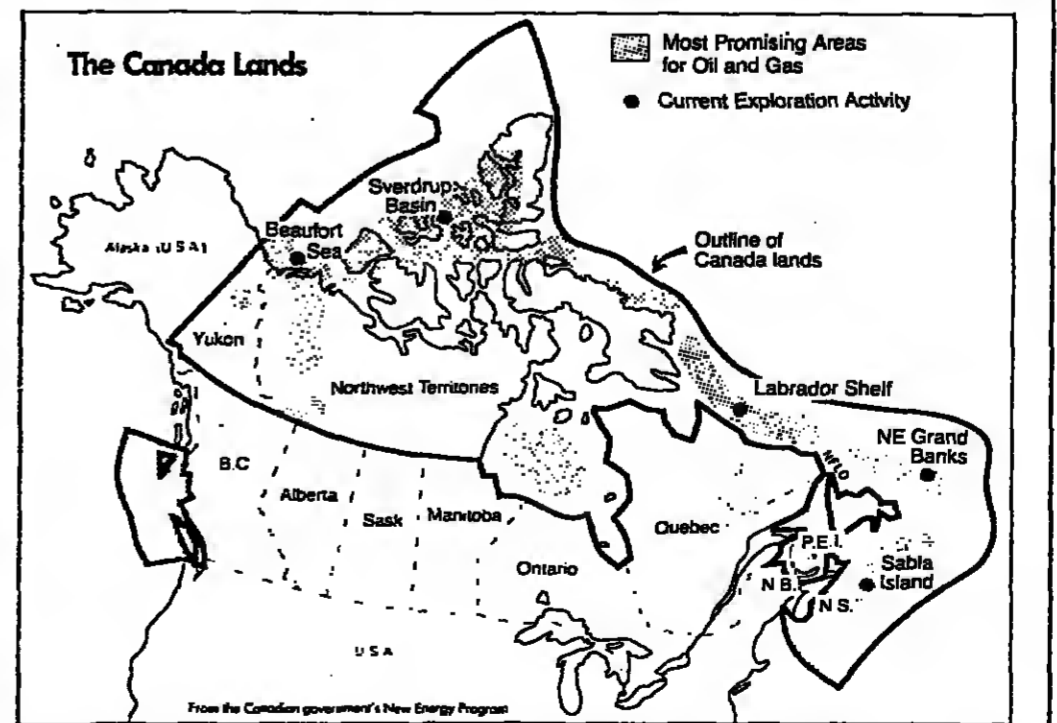
Officers of the Canadian Petroleum Association, whose members include all the foreign majors operating in Canada, are far more negative. The association's vice chairman, Harold Carlyle, who is senior vice president of Gulf Canada Resources Inc., said: "Though our members are heavily committed to Canadian exploration, activity has to be reduced. Oil self-sufficiency in 1990, implying Canadian oil output of up to 2 million barrels a day, is not achievable under the present scenario. Our members' exploration expenditures in 1981, planned to reach Can.\$10 billion, will only be Can.\$6.5 billion, and the EPA in fact leaves us Can.\$80-billion short of the Can.\$230 billion the industry needs to generate in the next 10 years through cash flows to meet the 1990 target, not counting expected operating costs of Can.\$90 billion. Producer networks in Canada are now way below levels in the U.S. or Australia."

Jim Livingstone, president of Exxon-controlled Imperial Oil, said that its 140,000-barrels-a-day Cold Lake oil sands project for Alberta, suspended in July, could not start up under present EPA arrangements for lack of sufficient return — a position shared by the Shell-led Alsands group sponsoring a similar project.

The Canadian Petroleum Association's views are endorsed by the Independent Petroleum Association of Canada, many of whose members, small companies, own extensive gas reserves, now shut in under EPA, and often do not qualify for the tight Canadian ownership rules attached to certain exploration incentives.

Although the Alberta government recently doubled its royalty refund rates to these firms, last month's federal budget provisions have cut into their ability to raise venture capital for drilling, and the Independent Petroleum Association warns that many members may collapse — or join the move to the United States.

Alberta's energy minister, Merv Leitch, supports the EPA as a workable compromise giving a greater role to the province in oil policy, and better oil prices, than under the New Energy Program. "We will consider adjustments, and are negotiating with oil sands project sponsors," he said in Edmonton. But Mr. Leitch was critical of the government's "Canadianization" policy as disruptive. "Instead of Canadian funds going to acquire existing production capacity, I would have preferred to see larger Canadian investments in the new proj-



— which will have to be financed from outside." Mr. Leitch's criticisms of the NEP are shared by his British Columbia counterpart, Robert McClelland. "It's a nationalization program," he said in Victoria, "which doesn't bring energy security any nearer." Following a partial agreement on oil and gas

production with Ottawa, the British Columbia government is holding out for a role in exploration of its offshore oil potential, considered a federal resource.

Capital Outflow
In Toronto, bankers and stockbrokers warn that Canadianization has caused an unprecedented capital outflow, with Canadians

borrowing abroad at high rates to acquire foreign-owned oil industry assets when Canada already has low reserves and a large current-account deficit.

In Ottawa, however, the oil industry's two betes noires — Energy Minister Marc Lalonde and Petro-Canada's President Wilbert

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Watchdog Agency Stirs Controversies

By Anne Gregor

OTTAWA — Consider the following: As the head of a major corporation, you have successfully negotiated an intricate corporate takeover. When the dust settles and hundreds of millions of dollars have been paid out, your lawyers tell you that some Canadian operations you picked up in the deal may have to be sold, or you will have to go through a lengthy legal process in that country.

It is a problem faced increasingly with takeovers in the United States and Europe. Canadian operations changing hands as part of the larger deal become subject to Ottawa's foreign investment review legislation.

FIRA — as the Foreign Investment Review Agency is known — is the Argus at Canada's industrial gate. Since 1974, the legislation and the agency created to enact it have sometimes chased away would-be investors.

FIRA was established to rule on whether proposed foreign investments would "be of significant benefit to Canada." The process must be gone through in all cases where the would-be investor is considered ineligible to deal freely in Canada without regulation. Investors needing approval include foreign residents and companies in which there are substantial blocks of stock (generally 25 percent and more) held by foreign residents. The agency must be consulted when a foreign investor either seeks to acquire existing Canadian operations or wants to establish an operation in Canada.

Review Process

The review process is generally a difficult one. The applicant and his legal advisers meet privately with agency officials to discuss the applications. Successful applications often offer increased employment to Canadians, higher technology, greater exports or perhaps more upgrading of raw materials previously exported directly from Canada. While such attributes can help a proposal, nothing assures its approval. After a bureaucratic decision is made, recommendations are passed on to the Cabinet for review. The political process is never far away.

Of about 4,255 applications made from the agency's creation to March 31, 1981 (the end of the latest fiscal year), 2,748 foreign investment proposals, or about 65 percent of the total — 257 cases — were disallowed. Many were withdrawn along the way — 658 proposals, or 16 percent. The rest were either still in process or ruled not to need review.

Criticisms of FIRA abound. The United States heads the list of foreign complainants, not surprisingly since it is the home country for most of the applicants. U.S. officials maintain that the foreign investment review process is rife

with potential for squeezing concessions out of investors. Canada says that the terms it accepts are volunteered by the applicants.

One Canadian group says that there should not be any doubt surrounding the agency's work. The Canadian Bar Association called on the minister of industry, Herb Gray, to hold a comprehensive review of the legislation and procedures.

The Bar Association argued that the review process should be administered "in a more open, meaningful, efficient and businesslike manner." The association, along with other Canadian groups, is worried that FIRA's practices have damaged Canada's reputation as a reasonable place for international investment.

On the other side, Canadian nationalists have maintained that the agency is not doing enough to keep foreign-owned companies out. They call FIRA a paper tiger, unable to reverse the dominant position of foreign owners in the Canadian economy. By one government count, foreigners control about 55 percent of Canada's manufacturing sector. Outside control is even more extensive in the oil and gas business. In the mining industry it is estimated at 51 percent.

Because FIRA rarely deals with existing foreign-controlled operations in Canada, nationalists have sought a means of shifting those existing interests to Canadian hands. Among the proposals advocated by Industry Minister Gray are some that would require foreign-controlled multinationals in Canada to report their performance in many areas, including training, technology and Canadian supply purchases. Although this scheme may be popular with some, it appears to be shadowed by Canada's international agreements.

The Canadian Bar Association held "that any monitoring of large foreign-owned firms is a discriminatory practice which should not form part of foreign investment review." Such monitoring, the association said, "would not be consistent with the Organization for Economic Cooperation and Development's guidelines on multinational enterprises and national treatment."

Senior officials in Ottawa appear to have heard the complaints. The government has shelved plans to toughen FIRA. Prime Minister Pierre Elliott Trudeau recently confirmed that the program was under review. U.S. officials are somewhat more relaxed. "As long as it's under review, there's hope," an official said. A Canadian diplomat suggests that Ottawa is anxious to remove some irritants from the screening process. Small enterprises, for example, might be given exemptions. The decision process, which can take a year or more, may be simplified.

But there is still talk of wider application and monitoring.



Andre Ouellet trying to bell the cat (big business).

Takeover Fever Grips Corporate Scene

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Canadian ownership. Foreign-owned companies need not apply.

The program — combined with the Canadians' abilities to borrow 100-percent of a takeover price while Americans, in their own country, were allowed to borrow only 50 percent (the U.S. Congress has since plugged the loophole) and simmering resentment over Canada's six-year-old Foreign Investment Review Agency — has raised American hackles.

U.S. Disadvantages

In October, Congressman John Dingell from Michigan told reporters in Washington (after the House of Representatives had unanimously approved the margin requirements bill): "American firms have been operating under a real disadvantage in competing with foreign firms, particularly Canadian. One of the prime reasons has been Canada's National Energy Program." He suggested that "further measures" might be needed.

Quite apart from the high-profile foreign ventures by Canadian businesses, domestic consolidation has been proceeding swiftly. Between 1968 and 1978, the proportion of the assets of Canada's 270,000 non-financial companies increased from 37.3 percent to 48.6 percent.

Toronto's Reichman family alone has spent about \$1.6 billion in the last three years to buy, among many other assets, 94 percent of Abitibi-Price Inc., the world's largest newspaper producer; 23 percent of Royal Trustco Ltd., Canada's largest trust company group; 50.1 percent of Brinco Ltd., a mining and energy company; and 46 percent of Trizec Corp., a major real estate holding and management company.

Even before the Reichmanns started their takeover binge, they were 100-percent owners of Olympia and York Developments Ltd., Canada's largest real estate developer, which is also very active in the United States. It is Manhattan's largest landlord and the prime mover in the Battery Park redevelopment.

Dome Petroleum Ltd. has spent more than \$5 billion in three years on oil-company acquisitions, becoming the largest energy company in Canada, judged by assets. Not only was its acquisition of the controlling interest in Hudson

Bay's Oil and Gas this year the largest in Canada's history, but since then it has made an offer, recommended by Hudson Bay's oil directors, for the minority shares.

Andre Ouellet, Canada's Minister of Consumer and Corporate Affairs, has said repeatedly that the country has "the weakest competition laws in the world and the most concentrated industrial structure." He has warned that if something is not done, "a few years down the line, four or five big names could dominate the entire economy of Canada."

Mr. Ouellet has become a crusader for a competition law with teeth, and in an earlier stint in the same portfolio introduced competition legislation that died, in the words of Toronto Star columnist Richard Gray, "between the hard rock of business opposition and the soft sludge of public indifference."

Mr. Ouellet, however, plans to introduce new legislation that is given a much better chance of becoming law. For one thing, it is supported by a powerful small-business group, the 60,000-member Canadian Federation of Independent Business. And the business Council on National Issues, representing 150 large companies, has taken a constructive approach, accepting "not just the inevitability but the necessity of reform."

Major Reports

More importantly, public concern has finally been kindled, and continues to be fanned in the press, by three major reports from Mr. Ouellet's Bureau of Competition Policy.

The reports are on an alleged \$12 billion overcharging of the public by the oil industry between 1958 and 1973 (a probe of the charges is under way); the closing of two daily newspapers, the Ottawa Journal and the Winnipeg Tribune within a 24-hour period by competing chains last fall (a commission recently handed in a report) and the alleged uranium cartel in the 1970s in which the federal government was accused of breaking its own anti-combines rules.

Mr. Ouellet's legislation will establish a threshold for market share beyond which mergers will be deemed harmful. It also will

make it easier to obtain convictions for anti-competitive conspiracies by treating them as civil cases rather than criminal ones. The current treatment of such cases in the criminal courts, where proof beyond a reasonable doubt is required, makes it almost impossible to get convictions.

Cash Flow Decline

Despite the glare of international publicity, the pace of international takeovers by Canadian companies may be slowing for the short term, in part because of the finance minister's jawboning of Canadian banks about their takeover lending.

Of at least equal importance, however, is a combination of high financing costs for acquisitions and a severe decline in the cash flow of target companies because of the economic slump. Royal Trustco of Toronto, citing "unfavorable market conditions," recently backed out of the \$360-million Canadian takeover of Flagship Banks Inc. of Miami.

The same economic restraints prevail within Canada, but Toronto chartered accountant John Sayers says there is still the overwhelming fact that high inflation (12.5 percent a year) "makes it extremely difficult to start a business from scratch."

— GEORGE BRETT

Competition Intense Among the Provinces



PARIS — The Canadian Embassy here is so busy competing with the Quebec delegation that it doesn't get around to projecting the nation as a whole and all of its other provinces, according to Patrick Lavelle, the Ontario government representative in Paris.

Quebec's first agent general in Paris took office in 1982, but the new delegation was opened in 1961. Quebec's special status in France was encouraged by Prime Minister Lester Pearson, and given a major boost by President de Gaulle's "Vive le Quebec libre" speech in 1967 in Quebec. Only recently did the Canadian Embassy finally persuade the French government to remove the word "embassy" from the Quebec offices description on official lists, but its delegate, Yves Michaud, still enjoys ambassador rank in France, flying the Quebec pennant on his car on official occasions. French and Quebec prime ministers officially meet once a year; in 1980 a center for the promotion of Quebec technology opened in Paris.

Quebec's international relations budget, Can.\$32 million, is nearly five times Ontario's Can.\$4.8 million. Five times more people are employed in Quebec's 25 offices, immigration bureaus and tourist centers spread across Europe, Latin America and the United States, including two offices in Africa.

Business Offices

The province's membership in several international Francophone organizations dealing with cultural affairs, and its major emphasis on culture, tourism, science and sports in its external relations, is in sharp contrast to the approach of both Ontario and Alberta.

Ontario's 10 offices, five in the United States, the others in Frankfurt, Hong Kong, Tokyo, London and Paris (which also covers southern Europe) are wholly province-oriented, explained Neil Probin, the province's co-ordinator of international offices.

"The role of the offices is to sell goods and services, attract new investments, joint ventures and licensing agreements. Each office has an annual business plan with stated objectives, targeted on certain industrial sectors."

Mr. Probin credited Ontario's Frankfurt office with playing a key role in persuading Volkswagen to locate a new automobile plant in Ontario — despite a strong pitch from Quebec. Mr. Probin's office was set up in 1977 as an effort to focus French attention on Canada's most populous and highly industrialized province.

"But our office of nine people hardly compares to Quebec's 90," Mr. Lavelle said. "Concentration on Quebec on culture and politics has left vast areas of economic cooperation untouched. Trade and investment flows between Canada and France are insignificant, and few French people seem to know that there is more than Niagara Falls west of Quebec province."

The French office is currently promoting wide-ranging talks on possible Canadian participation in the manufacture of the new Airbus 320, as well as extensive contacts among the automobile, food processing and micro-electronics sectors of France and Canada.

The province of Alberta has two U.S. offices (Houston and Los Angeles) and three others, in Hong Kong, Tokyo and London — the latter covering all of Europe and the Middle East. Alongside broad commercial promotion, the offices play a key role in seeking out skilled workers to staff Alberta's booming, labor-short energy industries.

Initiatives Abroad

Since 1979, German-born Horst Schmidt, Alberta's tireless minister of state for international trade, has traveled thousands of miles, shepherding groups of Alberta business

people on strictly "dest oriented" trips to Asia, Africa, the Middle East, Latin America and Europe. Mr. Schmidt shares the federal trade minister's concern with lessening the export dependence on U.S. markets, and throughout the 12-month "energy war" between Ottawa and Alberta, they maintained close working relations.

While the federal government is favorably disposed toward provincial initiatives abroad, (except when they are in direct conflict with the division of federal-provincial rights, as in the case of certain Quebec initiatives) other provinces have little or no international profile.

In addition to Quebec, Alberta and Ontario, Saskatchewan, British Columbia and Nova Scotia have offices in London — the latter's dating from 1791. Newfoundland's premises there have been let go for lack of funds, though this may change with the province's new found oil wealth.

Manitoba has a small office in Mexico geared to selling agricultural machinery. British Columbia has two small operations in Los Angeles and San Francisco aimed at the tourist trade.

New Brunswick and Prince Edward Island have no offices anywhere. Even so, provincial external relations sometimes pose problems. As a high official of the Ministry of External Relations said: "It gives a strange impression when federal and provincial ministers and delegations arrive in a country within days of each other, or even simultaneously, with neither group knowing about the other's travel plans."

— VANITA WALKER-LEIGH

An Energy Power to Be Reckoned With

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Hopper — are unperturbed by criticisms in Canada and abroad.

"Even in terms of balance of payments, the long-term benefits of Canadian ownerships will be far greater than short-term costs," Mr. Lalonde said. "We have responded to criticisms from industry, and the U.S. government, with Secretary of State Alexander Haig writing us a letter of congratulations when we modified NEP rules in our draft energy laws going before Parliament about the 25-percent back-in and supply procurement."

Mr. Lalonde pointed out that the government was ready to help small gas producers with a "natural gas bank," and that drilling rigs left Alberta due to excess ca-

capacity existing before the NEP announcement. "The oil industry, in saying oil-sufficiency is impossible for 1990, ignores our plan to reduce demand. If the oil sands projects start up — and Petro-Canada and some provincial governments have indicated they would be ready to loan to or invest in them — we will make it. Hibernia and the Beaufort Sea are extra cushions."

Newfoundland Claim

At present, large-scale exploration and production in the Hibernia field are held up by Newfoundland's claim to sovereignty over offshore resources, as a former independent dominion that joined Canada in 1949.

Petro-Canada's Mr. Hopper

meets criticisms about NEP by stating that Petro-Canada's acquisitions of Arco Canada, Pacific Petroleum and Petrofina have all increased in asset value since. "We would have bought a lot more in the last two years, but lacked funds and don't plan any further buys right now," he said.

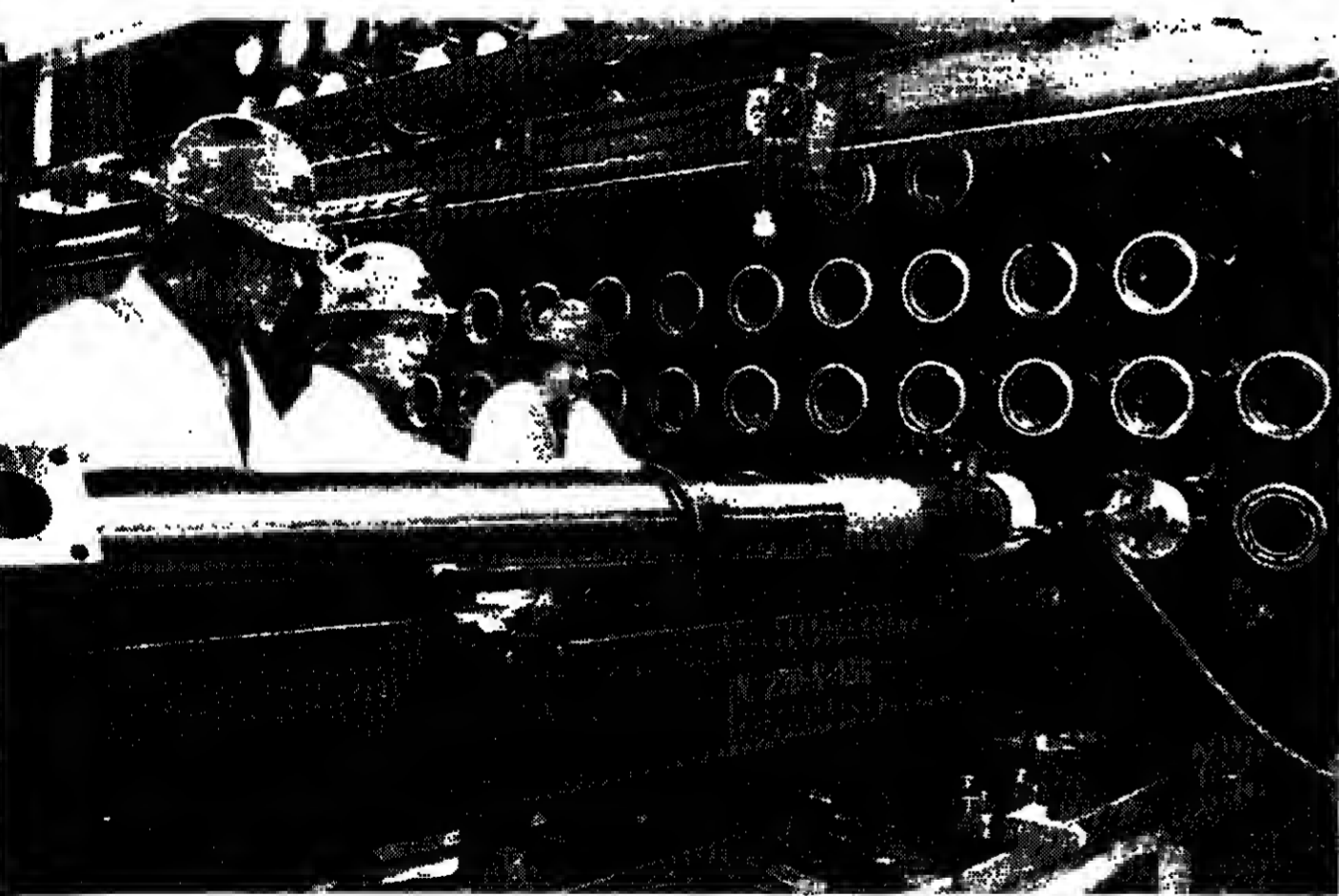
Petro-Canada will work closely with two other firms acquired by government interests: Aquitaine, now controlled by the Canadian Development Corp., and Sunco, 25-percent controlled by the Ontario Energy Corp., with an option on another 25 percent.

"Not having a strictly bottom line approach, we have played a key role in exploring Canada Lands, and off the East Coast; we are leading the pan-Arctic gas

project and are developing heavy-oil pilot projects in Saskatchewan. We are also ready to expand our oil sands interests," Mr. Hopper said. (At present, there are a 17-percent stake in Alisdale, 7 percent in the operating syn-crude plant and 50 percent with Nova in the proposed Canstar plant.)

Whatever the NEP's shortcomings, Canada's oil and gas potential, plus its plans to boost electricity and coal production for export, make it an energy power to be reckoned with, Ottawa-based diplomats point out, forecasting an eventually amicable settlement of differences with the U.S. government — and the oil industry.

— VANITA WALKER-LEIGH



Installing fuel channels in Unit 6 at Bruce 'B' Generating Station

CANDU— A Power Reactor that's Proven, not just Promising

CANDU nuclear power reactors have established world performance records.

In 1980, three Canadian reactors took the top three places out of 180 for world power reactor performance, and have consistently out-performed other reactor types.

The record-breaking performance of CANDU units has been achieved by dedication to a single reactor type, simplicity of construction, ease of maintenance and the use of on-power refuelling. The CANDU natural uranium system can readily be integrated into the industrial and energy infrastructure of most countries. For countries with indigenous uranium supplies, it offers complete self-sufficiency in nuclear technology.

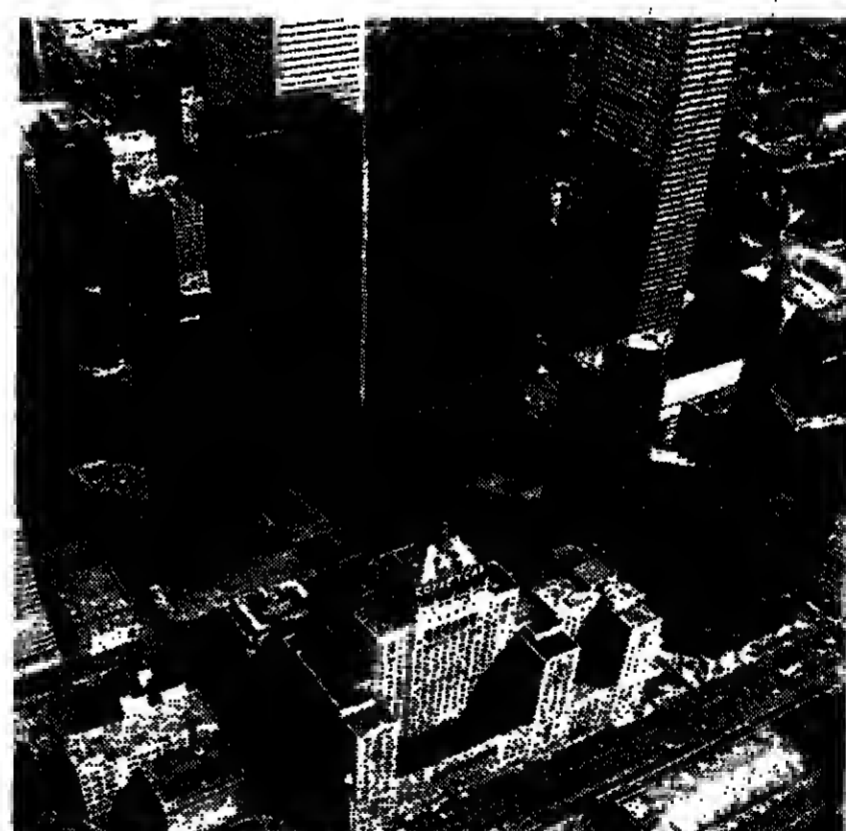
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Foreign Banking Expands, but...

TORONTO — Judged by absolute numbers, banks in Canada have embarked on a crazy program. There were only 11 of them, all Canadian-owned, until August. Then 12 foreign-owned banks were incorporated in one, nine were added in October and it is expected that more "batches" of foreign-owned banks will be approved by the banking authorities until at least 60 of them are competing for commercial business by early 1982.

"But judging by absolute numbers would be a mistake. Under a law that went into effect last Dec. 1, foreign-owned banks for the first time are allowed to have bank charters, but their total assets are restricted to 8 percent of the domestic assets of the banking system as a whole.

"That means a current limit of about Can\$15 billion, of which the foreign banks and other foreign financial institutions do not yet have bank charters — now have about Can\$11 billion.

Charles Young is president of Toronto-based Citibank Canada, which was licensed in the first "batch" in August. With assets of slightly more than Can\$2 billion, the subsidiary of Citicorp Inc. of New York is the biggest of the foreign banks.

Discrimination Charged

Mr. Young said that the 8-percent limit was discriminatory. He pointed out that "Canadian banks in the U.S. have greater freedom of action than foreign banks in Canada" and asserted that an absence of restrictions on foreign banking in Canada "would not result in a larger market share under any circumstances." He added, however: "I've been in Canada long enough (three years) to realize that if I were a Canadian I would probably feel as Canadians do about foreign banks."

Mr. Young's expression of conflicting viewpoints reflects the five years of Canadian soul-searching that went into the compromise legislation that permits foreign financial institutions in Canada to become banks.

Banking has been one of a very few industries in Canada — others are newspaper publishing, broadcasting and uranium mining — that successive governments have judged to be so important to the national fabric that they should be restricted to domestic control. It was a painful decision to let foreign banks into the fold, even though their assets were so drastically restricted.

As explained by Sen. Salter Hayden, who headed one of the two parliamentary committees that worked out the compromise, the purpose of the legislation was "to strike a balance between additional competition and maintenance of the banking system primarily controlled by Canadians." Another purpose was to permit foreign banks enough freedom in Canada that Canadian banks — the biggest of which are world-class institutions now expanding more quickly abroad than at home — would not run into retaliatory legislation in other countries.

In fact, the foreign banking institutions now lining up to get their Canadian charters have been operating in the country for up to a decade. But they now are being made subject to the same reserve and other requirements as the domestic banks.

1970s Loophole

In the early 1970s, foreign-owned banks, with an eye to a loophole that allowed them to incorporate provincially and do what any national person would call banking business as long as they did not seem to themselves banks, started moving into Canada, especially to Toronto, the business center.

While they were not allowed to take deposits, they could make loans booked from their head offices. The Canadian banks — alarmed at this intrusion by "suitcase bankers" who could skim some of the cream from the commercial lending business — started agitating to have them brought into the banking fold.

Hence the recent legislation, a revision to the Bank Act. Although there is no legal requirement that the foreign "near-banks" apply for bank charters, Ottawa will not continue to allow their parent companies to guarantee their debt instruments in the Canadian money market (at least not beyond an 18-month phasing-in period) unless they do so.

William Kennett, the inspector-general of banks in the federal Finance Department in Ottawa, has the job of recommending each bank charter application to the government, setting each bank's authorized capital and ensuring that the foreign banks' slice of assets remains within the 8-percent limit.

"Same Powers"

"Under the new legislation, foreign banks have the same powers as the Canadian banks," he said. "Depending on their expertise, foreign banks can enter the entire range of retail banking or concentrate on wholesale banking. Our experience suggests that most will be interested in the wholesale side — commercial lending, trade and export financing."

Each foreign bank is allocated an authorized capital for one year, and can apply to the inspector-general for an increase. The authorized capital is of central importance to each bank because its assets — what it is permitted to end — are confined to 20 times the authorized capital.

Citibank Canada's Mr. Young said that his bank's authorized capital was \$130 million for loans in Canada, plus \$30 million for loans outside the country. As far as the domestic portion goes, the bank can thus lend up to \$2.6 billion without seeking an increase in authorized capital.

Since Citibank Canada's assets are only slightly more than \$2 billion, Mr. Young acknowledged that this limit was not onerous and did not at present restrict the business that the bank might otherwise be able to do.

Mr. Kennett said: "We will be administering the legislation very cautiously in the first few years to make sure the ceiling (8 percent) is not inadvertently penetrated. Over time, we hope to provide authorized capital to enable banks which are growing quickest to make the greatest contribution to a competitive environment."

Mr. Young said that the inspector-general's regulators have been exercising their power with restraint, and he does not feel that his bank is being bullied by a rigid bureaucracy.

French Experience

"My philosophy is 'Let's allow ourselves to be discriminated against before we start screaming,'" he said. So far, he added, such discrimination has not been in evidence. Still, he "would prefer that there be no limit. We'll try to behave in such a way that the government will be encouraged to relax the 8 percent."

Mr. Young's experience with Canadian banking is interesting in light of his previous experience in France, where he was stationed in Paris from 1974 to 1978 as head of the Citibank there. The French imposed restrictions, he said, "but more subtly than in Canada. There, all banks — domestic and foreign — are subject to asset discrimination. The result is that each bank maintains its market share: The big banks stay big and the small ones stay small."

Central to Mr. Young's support of a free role for foreign banks in Canada is his argument that most of Canada's big banks are world-class and hardly need to be coddled. (At July 31, the assets of Canada's Big Five banks were: Royal Bank of Canada, Can\$86 billion; Canadian Imperial Bank of Commerce, Can\$65 billion; Bank of Montreal, Can\$60 billion; Bank of Nova Scotia, Can\$49 billion; Toronto Dominion Bank, Can\$43 billion.)

Banking analyst Terry Shanessy of Gardiner, Watson Ltd., a Toronto investment dealer, said that the basis of this large size (the four biggest banks are among the nine largest in North America) is the federal banking system under which all the major banks have branches in all 10 provinces and two territories.

There are thus no interprovincial barriers to the formation of large pools of capital, and the Canadian banks, which have in a sense outgrown the domestic marketplace of only 24 million people, are busily expanding in the United States, Europe and Asia — a major reason the domestic banks want to ensure that the new banking legislation was sufficiently palatable in other countries that Canadian banks would be allowed in.

Japan, Switzerland

Japan and Switzerland demand such reciprocity, and banks from both those countries are among those that have received their charters (Bank of Tokyo, Swiss Bank Corp. and Union Bank of Switzerland).

Maurice Clennett, special adviser in the inspector-general of banks, said that one Canadian bank, the Bank of Nova Scotia, was able to set up a branch in Japan this year because of the revised Bank Act. Other Canadian banks have branches there under consideration. And, while no Canadian banks have moved to set up branches or subsidiaries in Switzerland, "they are free to do so," he said.

Moslyn Lloyd, president of Barclays Bank of Canada, based in Toronto, echoed Mr. Young's sentiment in saying: "As a practical matter, you don't scream until you

burst." The bank, with authorized capital of \$45 million (implying an asset ceiling of \$900 million), is owned by Barclays Bank Ltd. of London.

Mr. Lloyd suggested that it will take some time — at least until the 60 or so foreign banks that want charters have them, probably early next year — before the foreign banking community is able to quantify any ill effects from the 8-percent limit in combination with their individual authorized capitals. But he said that placing the banks under the Bank of Canada's reserve requirements makes them less competitive. "The reserve requirements cost about 55 basis points," he said. "So a three-eighths-point gain (on a loan) becomes a one-eighth-point loss." Therefore, the interest rate charged must be raised to cover the added cost of keeping reserves on deposit without interest with the Bank of Canada.

High Growth

Mr. Lloyd said that one major reason why "there's no pain yet" is that the Canadian banking system as a whole has been growing at a rate of more than 30 percent so far in 1981, partly because of a spate of lending for major corporate takeovers. This means that the Canadian asset pie has been growing at a faster-than-usual rate, and the 8-percent slice reserved for foreigners is therefore proportionately larger.

But record-high interest rates, plus a request from Finance Minister Allan MacEchsen for the banks to cut back on lending for foreign takeovers (the resultant outflow of funds was depressing the Canadian dollar), make it unlikely that such rapid asset growth will continue.

Mr. Lloyd said that, while there might be a legitimate argument for Canadian authorities to limit the growth of banks whose home countries place restrictions on Canadian banks, the current limits are not fair to Barclays of Canada because "there are absolutely no restrictions on banks in Britain." He added, however, that even with the restrictions the foreign banks were choosing to remain because "we're betting on Canada's long-term prospects."

The energy sector in particular will require such large amounts of capital — the Conference Board of Canada put the amount at between \$250 billion and \$300 billion in this decade — that even the big Canadian banks and the highly effective Canadian investment industry will not be able to supply it all.

West German Bank

Several of the larger foreign banks, including Barclays of Canada, have already moved to meet the energy sector demand by setting up offices in Alberta, the province that produces 85 percent of Canada's oil and gas.

One foreign bank that does not have to wait to decide whether the restrictions will hurt is Deutsche Bank (Canada), wholly owned by Deutsche Bank A.G. of Frankfurt.

Klaus Bartels, resident representative of the parent bank who shares the Toronto office with the Canadian bank subsidiary, said that the bank's initial authorized capital of Can\$5 million — meaning that assets are pegged at Can\$100 million — is too small to permit a profit. He is optimistic, however, that the inspector-general eventually will permit higher capital that in turn would allow the bank to make a profit. "We're here as a long-term investment," he said.

He expressed confidence that within three to five years Ottawa would come to the conclusion that the foreign banks were such "good corporate citizens" that the 8-percent limit should be waived.

— GEORGE BRETT

Economic Muscle

"For a start, there was Ontario's economic muscle, which drew business and banking to Toronto, as well as efforts by regulators to establish the Toronto Stock Exchange as the premier market in Canada. Ontario and Toronto were aggressive in busting business, while Montreal rested on its laurels. Secondly, it's not necessarily in that order, it's a chicken-and-egg situation — there was a general flow of population and bank resources westward. At this time, Toronto had a growth rate of 50,000 people a year; that growth has moderated to about 15,000."

And finally, Mr. Schulman said: "I have to be very candid in saying that the political situation hastened the shift." He was referring to the growing nationalism among French Canadians starting in the 1950s and 1960s that culminated in the election of the separatist-leaning Parti Quebecois in 1976. "Capital and big business have been very sensitive to the winds of nationalism in Quebec," Mr. Schulman added there has been a tendency in Montreal to regard Toronto as "a bank outpost" compared with "the daisy" Montreal. That city has only recently embarked on an "aggressive, sophisticated promotion campaign" stressing Montreal's virtues, including its cultural life, its technology and its position as a year-round port.

There are also major corporations that have their headquarters in Montreal, including Canadian Pacific Ltd., Canada's largest company, and the largest and third largest banks, the Royal Bank of Canada and the Bank of Montreal, respectively. Both banks, however, have emphasized decentralization in recent years and have major operations in Toronto. The two banks' presence in Montreal, Mr. Schulman said, "is a lot more than tokenism, a lot less than dynamic head-office control."

Much More

Toronto, of course, is much more than a financial center, and its success as being "much more" makes it an attractive place to visit and live, which enhances its financial pre-eminence. According to Business Week magazine, Toronto is "a city that has learned to live with bigness." The Chicago Tribune called it "Canada's No. 1

city, and possibly its North America's, too." The New York Times said: "In culture, history, food, fashion, business and sheer national clout, Toronto is to Canada what New York City is to the United States — with the difference that Toronto is clean and safe."

With these reviews, Toronto obviously is a popular tourist spot with Americans, and in 1980 more than 21 million tourists visited, leaving \$1.8 billion in the local economy. In addition, almost 300,000 delegates to 680 conventions and meetings last year left an additional \$111 million.

Barry Lyon, a real estate development consultant, said visitors used to the run-down downtowns of many American cities find it hard to believe that Toronto has no slums. One reason is a trend for older, well-heeled people — and often younger ones as well — to return to the inner sections of the city from the suburbs. They repaint, refurbish, rewire, rebuild.

"The result is that the old areas of Toronto are constantly being renewed," he said, a process encouraged by rigorous fire and building codes.

VANYA WALKER-LEIGH is a free-lance economic journalist who represents the Financial Post, of Canada, and Lloyd's List in France.

GEORGE BRETT is a free-lance journalist based in Canada, and a former reporter for the Toronto Star.

ANNE GREGOR is a financial reporter for the Canadian Broadcasting Corp.

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Toronto: 'This Is Where It's At'

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Other Candidates

Another aspirant to the job is Marc Lalonde, the minister of energy. He has headed the nationalist policies in this sector, benefiting by the considerable public exposure it has brought. Others are John Roberts, the 48-year-old environment minister, who is attempting to gain political mileage through an anti-pollution campaign aimed at the United States, and Herb Gray, the nationalist minister of industry, who is a master of media exposure.

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Trudeau's Challenge: Constitutional Reform

(Continued from Page 7S)

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Mr. Trudeau agreed that poor provinces could limit the employment rights of Canadians from other parts of the country. In a still more sweeping measure, the provincial premiers demanded and received the right to have provincial laws override many basic freedoms enshrined in the bill of rights.

Editorial response has been varied. While the Gazette, in Montreal, hailed the compromises as a victory for all Canada, the Toronto Star called it a gutted constitution.

Quebec, Mr. Trudeau's native province, objected to the compromise amending formula as still too binding. It spurned the bill of rights on the ground that the provisions would offer guarantees of English schooling to Canadians moving into the province. It is uncertain that these objections of Premier Levesque's are truly reflected in the Quebec population, which at some point will be called on to support or reject his position.

Mr. Trudeau has perhaps lost as much as he has gained. In more than a dozen years as prime minister, he has carried out some social programs, brought bilingualism to Canada's federal government, and reached a near-consensus on major constitutional changes. But, at the same time, he has stirred a living, political manifestation of the Quebec separatism he once said was dead.

Where does Mr. Trudeau turn now? It's expected that he will fight for the time being, the maneuverings of Mr. Levesque. He has toyed publicly with retirement, suggesting, from time to time, that he might quit — and that then again, he might not.

At 62, Canada's prime minister is firmly ensconced for someone said to be nearing the end of his career. After a sweeping electoral victory last year, he heads a party with a majority in Parliament and thus is assured of four more years in office, should he want it. A single parent, with three young sons, he has years of parental duties before him.

Meanwhile, the prospect of Mr. Trudeau's departure has unleashed maneuverings within his liberal party as ministers in his cabinet jockey for position, pushing themselves and their policies. Much of this is the prime minister's fault, suggests Allan Fotheringham, a widely published political columnist. He maintains that Mr. Trudeau is but a cynical ghost of his

Constitutional Reform

The result was a substantial concession. The provinces agreed to change the constitution and bring it back to Canada, but they demanded and received an amending mechanism that would allow a regional government to renounce individually future constitutional provisions that have been approved by a national majority of at least seven provinces. It's a plan that Mr. Trudeau often scored as a formula for "a checkboard Canada."

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Canada is seeking an adjustment of the 1965 automobile agreement with the United States, whose free trade provisions covering vehicles and parts are now leading to a deficit for Canada. It also seeks a greater role in U.S. government procurement and military contracting, and modifications of "buy American" laws and similar measures being passed by many U.S. states.

Tom Burns, secretary of the Canadian Exporters' Association, says that the present "hostile climate" has led exporters to lose a lot of U.S. business.

Protectionist policies such as labeling laws, the "buy Canadian" campaigns and numerous infractions of General Agreement on Tariffs and Trade rules have enraged the United States, said Keith Dixon, chairman of the Canadian Importers' Association, who added that the United States is likely to lead tough resistance by GATT members to requests for increases in Canadian tariffs when Canada moves to introduce the GATT customs valuation code in 1983.

BUSINESS NEWS BRIEFS

ICL Reports Loss, Proposes Stock Increase

LONDON — ICL, reporting a loss for the fiscal year ended Sept. 30, Tuesday proposed a one-for-one stock offer to raise £32.2 million in new capital.

Britain's biggest computer manufacturer, which was kept afloat with a government loan guarantee of £200 last March and has signed joint deals with Japan's Fujitsu and Three Rivers of the United States, said that the new stock would be offered to current shareholders at 25 pence a share on a one-for-one basis.

Christopher Laidlaw, the company's chairman, said Tuesday that the firm's cost-saving measures would not be felt for the first half of the next financial year but that he was confident the company had set the foundation for a profitable future.

France's Creusot-Loire Wins Soviet Contract

MOSCOW — Creusot-Loire has won a 1.3 billion French franc (\$225 million) contract from the Soviet Union to supply 19 refrigeration stations for use on the pipeline that will carry Siberian natural gas to Western Europe, French Foreign Trade Minister Michel Jobert said Tuesday.

Beatrice Foods to Sell Soft-Drink Operations

CHICAGO — Beatrice Foods — which recently sold its Dannon yogurt division — said Tuesday it would sell its domestic soft drink operations, including Royal Crown Cola and Seven-Up, for \$105 million in cash.

The sale will be made to a new corporation owned by the New York investment firm of Forstmann Little & Co., key executives of Beatrice's soft drink division and certain private investors, the company said.

Test Results Released on Australian Shale

LONDON — Southern Pacific Petroleum said Tuesday that calculations based on core samples from the Nagorin oil shale deposit in Queensland indicate a total of 2.65 billion barrels of shale oil contained in 6.26 billion metric tons of shale.

The company said a more detailed drilling program will be planned to outline the distribution of oil shale in more detail, and in particular the precise location of faults and their effect on the deposit.

Nestlé to Sell Part of Libby Unit

VEVEY, Switzerland — Nestlé plans to sell more than one-third of its Libby, McNeill and Libby food subsidiary in the United States, a company spokesman said Tuesday.

Nestlé said it will sell Libby's canned fruit and vegetable sectors to U.S. companies. It put the annual turnover of the two-thirds remaining with Nestlé at \$250 million. A Nestlé spokesman said reports putting Libby's turnover before the sale at around \$400 million were correct.

Ayon Makes Offer to Buy Mallinckrodt at \$50 a Share

NEW YORK — Ayon Products said Tuesday it had signed an agreement to buy Mallinckrodt Inc., a St. Louis chemical firm.

Ayon's tender offer would begin Wednesday for 4,560,000 shares, about 33 percent of Mallinckrodt, at \$50 a share, the company said.

Ayon said it will also acquire, under a separate agreement with two universities, 2,494,516 shares, or an additional 17 percent of Mallinckrodt, at \$30 a share in cash.

Mallinckrodt has 14.2 million shares outstanding. About 1.5 million of the shares are in a trust which expires next month with the stock going to Harvard University and Washington University in St. Louis.

Ayon's offer values the company at \$710 million.

The number of shares to be bought in the tender offer will be increased to take into account any issues of additional Mallinckrodt shares through exercise of warrants or employee stock options, or upon conversion of outstanding convertible debentures, Ayon said.

Ayon said it expects to begin paying for Mallinckrodt shares tendered not later than Jan. 14.

Mallinckrodt was seeking to prevent a takeover by National Distillers, Inc.

Ayon is engaged in diversifying and has acquired Tiffany & Co., the prestigious Fifth Avenue jewelry store in New York. Ayon's main lines are jewelry and cosmetics.

National Distillers has been buying Mallinckrodt shares in the open market instead of making a formal bid for the company.

Mallinckrodt earned \$1.97 a share, fully diluted, in the first nine months of this year, up \$1.79 a year earlier.

Baldwin-United, MGIC in \$1.2 Billion Pact

NEW YORK — Baldwin-United, a diversified financial services company with a growing insurance business, has agreed to merge with MGIC Investment, the largest independent residential mortgage insurer in the United States.

The merger, which was announced Monday and will cost Baldwin-United \$1.2 billion, is the largest in a series of more than 30 Baldwin acquisitions since the late 1960s that have turned the company from a piano and organ manufacturer to a concern chiefly involved in the sale of life and casualty insurance. MGIC has about 35 percent of the market for residential insurance, which is designed to protect the lender from default.

Cincinnati-based Baldwin-United will pay MGIC stockholders \$52 a share. MGIC stock has been trading in the 40-45 share range for several months, but it gained \$4.125 after Monday's announcement and closed at \$47.75 a share. Baldwin-United stock rose \$3.875 a share after the announcement to \$55.875. Both issues trade on the New York Stock Exchange.

MGIC, which is based in Milwaukee, also gave Baldwin-United the option to buy nearly 42 million shares of common stock yet to be issued, at \$52 a share.

"We bought this for the mortgage insurance business," said Morley Thompson, president of Baldwin-United, in a telephone interview. "We provide financial services for individuals and families. This is the same kind of business." He added that he expects MGIC's earnings to top \$100 million after taxes next year, which, he said, "is good for our shareholders."

Necessary Balance

Max Karl, chairman of MGIC, said that MGIC's earnings would also give Baldwin-United income against which it can write off its growing deductions from its expanding single-premium deferred annuities, a large, one-time investment that guarantees a relatively high fixed rate of return over a period of years.

The deductions are for the big commissions paid to the salesmen of the annuities in the year they are sold. With the added income from MGIC, Baldwin-United will

Threat to East-West Trade Seen in Polish Crisis

By Paul Lewis
New York Times Service

PARIS — The military takeover in Poland is widely perceived by Western bankers and experts as an inevitable but risky last bid by the authorities to halt the country's economic decline. Should it fail, it could spark a major financial crisis, causing Poland to default on its multibillion-dollar foreign debt, undermining the foundations of East-West trade and straining the West German banking system, these sources say.

The declaration of martial law and ban on trade union activity, most observers agree, was sparked by Solidarity's call for free elections and a referendum on the country's future form of government.

But Western bankers and other experts generally feel that a military takeover was only a matter of time, as the country's economy continued to decline, with idle factories, food shortages and dwindling fuel supplies.

"There was no escaping the imposition of authority at some point so long as the chaos continued," says Richard Porches, a U.S.-born economics professor at London University who has published a major study on Poland's problems.

Western banks and governments — owed a total of about \$27 billion by Poland — hope the military takeover will lead quickly to a resumption of normal work in the country's potentially profitable factories and coal mines, enabling it to earn the hard currency needed to repay its debts and import materials and machinery essential for recovery.

Western lenders also hope the military authorities will present plans to restructure by Dec. 31 some \$2.4 billion of debt owed to private banks this year, but which Poland could not repay, somehow scraping

together the \$450 million in interest the banks are demanding in return for stretching out repayment dates.

But, while expressing such hopes, most bankers appear to fear that the takeover will deepen the divisions between Solidarity and the government, leading to more strikes, in-

NEWS ANALYSIS

creased economic paralysis and possibly to Soviet intervention. In the latter event, Poland could be forced into default, bankers warn, with creditors despairing of repayment and rushing to attach Polish ships, aircraft, bank deposits and other assets in the West.

Freeze on New Credit

Experts agree that a Polish default would quickly dry up new credit to other East Bloc countries, which owe a total \$75 billion to the West and are also in economic trouble.

"The result would be a general freezing up of East-West trade with all East Bloc countries losing their creditworthiness and bankers reluctant to advance money to finance imports," Mr. Porches says.

A Polish default could strain the Western banking system, especially in West Germany. There, and in the United States and some other countries, banks would probably be obliged to write off their Polish loans, cutting into this year's earnings.

Coming after two years of depressed profits, a Polish default would weigh particularly heavily on West German banks, which are the most exposed in the West.

Last week, Hans Friderichs, Dresdner Bank chief executive officer, surprised bank-

ers by creating a contingency fund to cover bad debts to Poland. However, unofficial estimates say the most heavily exposed German bank is the trade union-owned Bank Fur Gemeinwirtschaft, which has loaned Poland \$90 million. Deutsche marks, followed by Commerzbank which is owed some 910 million DM.

The longer Poland delays its payments the greater the risk that one of the 50 Western banks owed money will break ranks, declare Poland in default and ask the courts to attach Polish assets somewhere in the world, forcing other banks to follow suit and provoking just the financial crisis the banks are trying to avoid by rescheduling.

"The major banks know a default isn't really in their interests, but the longer we wait the more the risk that someone will get out of line," warns Lawrence Brainard, senior economist of Bankers Trust Co.

Loan Write-Offs Urged

FRANKFURT (Reuters) — West German banks are being urged by their auditors to write off large parts of their credits to Poland even if the Polish authorities manage to pay the interest due by the end of this year, banking sources said.

Auditors are now urging banks to write off at least 10 percent of credits outstanding, and some suggest far more if a bank's profitability allows. At least two local tax offices have indicated they will accept such write-offs, benefiting the bank by reducing the tax due, the sources said.

Meanwhile, in London, the general manager of Poland's Bank Handlowy said Warsaw is determined to sign the rescheduling agreement with Western banks as scheduled.

Japanese Managers Prove Britons Can Produce

By Steven Rattner
New York Times Service

BRIDGEND, Wales — While British television manufacturers have been leaving the business, an ultramodern plant in an otherwise grimy industrial park here has raised its production gradually to 1,000 sets a day from 250 a day seven years ago.

Its secret? This is Britain's Sony plant, where a combination of Japanese engineering knowledge and Japanese management skills has turned an eight-year-old factory into a high-productivity, high-profit and high-quality anomaly in this land of low efficiency and low profits.

While those factors are blamed for much of Britain's poor economic performance, the country's business management has played a role as well. The experience of Sony and other foreign companies here shows the extent to which outside techniques, training and organization can make a factory in Britain successful.

"In general, the new arrivals have worked better levels of productivity than British companies, although they haven't achieved the same levels of productivity they have in Japan," said David Robbins, an economist with Phillips & Drew, a securities firm, who has studied the problem. "Their accomplishments are because of the management systems that they have introduced."

The success of the foreign companies operating here provides evidence to support many widely shared suspicions about British management — that it lacks a modern view of employee relations, that it is insufficiently innovative, and that it fails to draw the most talented Britons.

"They only work 50 hours a week, they don't take much work home, they sleep eight hours a night," said Professor David Norman of the London Business School, who conducted a recent productivity study.

Royal Concern

Even otherwise noncontroversial Prince Charles has offered unusually strong supporting statements, as the nation's underlying economic problems have come more fully to light in the past two years.

"If management really concentrated on the way the employees were looked after, and directed by with them, they would need the same extent of trade union activity," Prince Charles said in one recent interview.

The Sony plant here has a union, but a visitor might never know it — a strike has never been called here and workers express nothing but delight. In particular, they like the absence of artificial divisions that stretch from British society into British factories.

Here, for example, management and workers eat together in the subsidized cafeteria, while at nearby British plants employees are separated into as many as a half-dozen groups according to rank.

All workers wear blue-grey jackets — short for the men and long for the women. The company does not divide employees into skilled and unskilled groups. There are not even any private parking places for senior managers.

"Normal People"

"The management here is more worker-oriented," said Diane Hoff, who previously worked in a nearby steel factory where supervisors were called by their surnames instead of their given names, as is customary here. "You can treat them like normal people rather than like bosses."

As a result of these and other factors, Sony's performance here has far outpaced that of British companies. The absence rate, for example, is just 24 percent, well below the 12 percent that many nearby British companies report. The plant has become a major ex-

COMPANY REPORTS

Revenue and profits, in millions, are in local currencies unless otherwise indicated

Company	1981	1980
Guinness (Arthur) & Son		
Revenue	95.2	78.5
Profits	22.7	27.8
Per Share	0.94	1.13
ICL		
Revenue	71.1	71.8
Profits	10.5	17.7
Per Share	0.136	0.236
United States		
Gulf & Western Industries		
Revenue	1,200	1,243
Profits	78.3	74.0
Per Share	1.02	1.00
Jewel Companies		
Revenue	1,100	1,050
Profits	13.9	10.9
Per Share	1.03	1.01
9 months		
Revenue	3,790	3,625
Profits	68.0	32.4
Per Share	3.30	2.94

Singapore Air to Buy Boeing, Airbus Jets

NEW YORK — Singapore Airlines announced on Tuesday an agreement to buy \$1.8 billion worth of airliners from Boeing Co. of Seattle and Airbus Industrie of France.

J.Y.M. Pillay, chairman of Singapore Air, said the state-owned carrier will purchase eight Boeing 747-300 Upper Deck jets with spare parts and options on two more, and six Airbus A300-600 plus parts and options for two more.

The announcement was made jointly by Boeing, Airbus and Singapore Air. Singapore Air said it will dispose of four first-generation 747s, four McDonnell-Douglas DC-10s and four Boeing 727s. The purchase will be financed from current operating revenue, Mr. Pillay said.

The Airbus planes are each powered by two General Electric engines. Boeing said it will announce by February whether the engines for its planes will be built by Rolls-Royce or by Pratt & Whitney, a unit of United Technologies. Each Boeing plane has four engines.

The Boeing plane is a new version of the 747, the largest of the available commercial aircraft,

CURRENCY RATES

Interbank exchange rates for Dec. 15, 1981, excluding bank service charges.

Country	Rate
Australia	1.48
Canada	0.75
Denmark	4.82
France	6.55
Germany	1.36
Italy	1.36
Japan	163.60
Netherlands	2.20
Switzerland	1.48
UK	2.96

U.S. Auction of Silver To Open as Scheduled

WASHINGTON — The U.S. General Services Administration said Tuesday it will go ahead with its auction of silver from the U.S. stockpile Wednesday, with the domestic consumption restriction removed. Auctions after Wednesday will depend on the legislative action, the agency said.

Monday, House and Senate negotiators agreed to require the suspension of the weekly sales of silver, to take effect when President Reagan signs the defense appropriations bill, according to an aide to Sen. James McClure of Idaho said.

WEEKLY NOTIFICATION COMPTREND II. A MANAGED COMMODITY ACCOUNT.

Equity on January 1, 1981: \$100,000.00

Equity on December 10, 1981: \$259,738.42

after all charges

For information call or write Royal Fraser, or Ian Streetville, TAPMAN: Trend Analysis and Portfolio Management, Inc., Wall Street Plaza, New York, New York 10005, (212) 269-1041, TELEX 667173 UNL.

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Bargain Hunters Aid Stock Prices on NYSE

NEW YORK — Prices on the New York Stock Exchange closed slightly higher Tuesday as traders sought bargains that had resulted from a two-day slide.

The Dow Jones industrial average, which lost 15.03 Monday and 5.61 Friday, gained 4.47 points to close at \$75.95. Advances edged declines by about 780-750, and volume on the NYSE was 44.13 million shares, compared with the 44.74 million traded Monday.

Considering the lack of movement in interest rates and the situation in Poland and Israel, "There are all kinds of inclinations for investors to do nothing," Larry Wachtel of the Bache Group said.

Technical analysts said the market, which has churned the past couple of weeks, may be headed for a sharp setback soon before launching any major rally.

Investors were concerned interest rates may be headed higher after a three-month decline following the \$4 billion surge in the nation's money supply reported last Friday by the Federal Reserve.

New car sales by the big three U.S. automakers plunged 27.8 percent in the first 10 days of December from the same period a year ago, according to company reports Tuesday.

Ford suffered the sharpest decline, 37.7 percent, while GM sales fell 26.4 percent and Chrysler sales dropped 14.6 percent.

Murray Weidenbaum, chairman of the Council of Economic Advisors, said Tuesday that the administration is committed to reducing the size of federal budget deficits in fiscal 1983 and beyond.

In corporate news, a federal appeals court in Cincinnati denied U.S. Steel Corp.'s motion asking for a lifting of the temporary restraining order that prevents U.S. Steel from buying Marathon Oil shares.

The dollar rose in late trading on European markets Tuesday amid renewed concern about Poland, but the U.S. currency still finished lower on the day, dealers said.

After falling below 2.26 Deutsche marks in the afternoon,

Europeans Agree To Steel Curbs, U.S. Official Says

WASHINGTON — Leading European Commission officials have agreed to enforce the U.S. trigger-price mechanism for steel by holding back shipments to the United States, Bill Brock, the U.S. special trade representative, reported Tuesday.

U.S. steelmakers have complained bitterly about what they see as European violations of the trigger price mechanism, designed to bar dumping of steel in the United States at prices below the cost of production. Some U.S. companies have threatened legal action against European steelmakers.

Mr. Brock said he would favor an effort by European officials to set up a system of monitoring shipments to the United States as a way to improve compliance with the price mechanism. Industry sources say European officials have indicated they may be ready to establish such a system.

Separately, Commerce Secretary Malcolm Baldrige said he told a top European Community official in London last week that "you can't cure a sick European steel industry by feeding off a sick American industry." He warned that legal actions could destroy the trigger price mechanism and lead to a rise in protectionist sentiment.

Europeans Agree To Steel Curbs, U.S. Official Says

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EULABANK

Extract from Audited Consolidated Accounts for the year ended 30th September 1981

	1981	1980
Profit before Taxation	9,825,259	7,614,136
Profit after Taxation	4,711,665	3,651,423
Share Capital and Reserves	25,841,494	22,143,829
Subordinated Loans	19,482,327	4,186,991
Deposits	572,140,292	374,424,592
Cash at Banks, etc.	106,622,703	61,716,835
Deposits Placed	52,589,618	34,720,197
Loans and Advances	461,059,426	305,202,186
Total Assets	647,965,409	413,079,622

Eulabank is an international merchant bank based in the City of London; its shareholders are leading European and Latin American banks. The bank specialises in arranging and participating in loans to major borrowers throughout Latin America.

SHAREHOLDER BANKS

Europe: Algeriens Bank Nederland NV; Banca Nazionale del Lavoro; Banco Central SA; Banque Bruxelles Lambert SA; Banque Nationale de Paris SA; Barclays Bank International Ltd; Bayerische Hypothek- und Wechselbank; Deutsche Siedlungsbank AG; Dresdner Bank AG; Oesterreichische Laenderbank AG; Union Bank of Switzerland.

Latin America: Banca Serfin SA; Banco de Colombia; Banco de la Nacion; Banco de la Nacion Argentina; Banco de la Republica Oriental del Uruguay; Banco del Estado; Banco del Estado de Chile; Banco del Pichincha CA; Banco do Brasil SA; Banco Industrial de Venezuela CA; Banco Mercantil de Sao Paulo SA.

Copies of the Annual Report and Accounts may be obtained from the Secretary.

EULABANK

Euro-Latinamerican Bank Limited
Gillett House, 55 Basinghall Street, London EC2V 5EN Tel: 01-606 6141 Telex: 8811928

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Gillett House, 55 Basinghall Street, London EC2V 5EN Tel: 01-606 6141 Telex: 8811928

NYSE Nationwide Trading Closing Prices Dec. 15

Tables include the nationwide prices up to the closing on Wall Street.

Table with columns: 12 Month Stock High Low Div. in % Yld. P/E etc. Lists various stocks like IBM, GE, etc.

Table with columns: 12 Month Stock High Low Div. in % Yld. P/E etc. Lists various stocks like Exxon, etc.

Table with columns: 12 Month Stock High Low Div. in % Yld. P/E etc. Lists various stocks like Ford, etc.

Exxon Loses Suit Against Exxene

CHICAGO — The inventor who called his company Exxene says that giant Exxon had been gentlemanly about asking him to change his trademark, he would have done so.

Table with columns: Amsterdam, Brussels, Frankfurt, London, Milan, Toronto Stocks, Eurocurrency Interest Rates.

Table with columns: Other Stock Markets, Dec. 15, 1981. Lists prices for various international markets.

Table with columns: Singapore, Sydney, Zurich, Tokyo, Montreal Stocks, Canadian Indexes.

Table with columns: Eurocurrency Interest Rates, Dec. 15, 1981. Lists interest rates for various currencies.

Table with columns: Toronto Stocks, Dec. 14, 1981. Lists closing prices for Toronto stocks.

Table with columns: Montreal Stocks, Dec. 14, 1981. Lists closing prices for Montreal stocks.

Table with columns: Eurocurrency Interest Rates, Dec. 15, 1981. Lists interest rates for various currencies.

Table with columns: Toronto Stocks, Dec. 14, 1981. Lists closing prices for Toronto stocks.

Table with columns: Montreal Stocks, Dec. 14, 1981. Lists closing prices for Montreal stocks.

Advertisement for Nordiska Investeringsbanken (Nordic Investment Bank) featuring Zero Coupon Notes Due 1986.

U.S. COMMODITY PRICES

Table with columns: Chicago Futures, Dec. 15, 1981. Lists prices for various commodities like wheat, corn, soybeans.

International Monetary Market

Table with columns: British Pound, Canadian Dollar, French Franc, Japanese Yen, Swiss Franc.

Market Summary

Table with columns: Dow Jones Averages, Dow Jones Bond Averages, Standard & Poors, NYSE Index.

London Metals Market

Table with columns: High grade copper cathodes, Tin, Silver, Gold, Platinum.

London Commodities

Table with columns: Sugar, Coffee, Cocoa, Cotton, Wool.

Cash Prices

Table with columns: Commodities, Dec. 15, 1981. Lists prices for various cash commodities.

Commodity Indexes

Table with columns: Dec. 15, 1981. Lists various commodity indexes.

Dividends

Table with columns: Dec. 15, 1981. Lists dividend payments for various companies.

Paris Commodities

Table with columns: Dec. 15, 1981. Lists prices for various Paris commodities.

New York Futures

Table with columns: Dec. 15, 1981. Lists prices for various New York futures.

Floating Rate Notes

Table with columns: Dec. 15, 1981. Lists prices for various floating rate notes.

Old-Lot Trading in N.Y.

Table with columns: Dec. 15, 1981. Lists old-lot trading data for various stocks.

American Most Actives

Table with columns: Dec. 15, 1981. Lists the most active American stocks.

AMEX Index

Table with columns: Dec. 15, 1981. Lists the AMEX index and related data.

European Gold Markets

Table with columns: Dec. 15, 1981. Lists prices for various European gold markets.

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Gold Options (quoted in \$/oz.)

Table with columns: Dec. 15, 1981. Lists prices for various gold options.

European Options

Table with columns: Dec. 15, 1981. Lists prices for various European options.

Non Banks

Table with columns: Dec. 15, 1981. Lists prices for various non-bank instruments.

WASHINGTON — The U.S. Commodity Futures Trading Commission approved on Tuesday two new Eurodollar futures contracts to be traded on the Chicago Board of Trade and the New York Futures Exchange.

At last week's meeting, the commission approved a similar contract for trading on the Chicago Mercantile Exchange. Both NYFE, an offshoot of the New York Stock Exchange, and the Chicago Board indicated to the commission that trading in their Eurodollar futures would not start immediately.

AMEX Nationwide Trading Closing Prices Dec. 15

Tables include the nationwide prices up to the closing on Wall Street.

Oil Glut, Economy Cut Into U.S. Gasohol Plan

By Douglas Martin
New York Times Service
DES MOINES, Iowa — Interest in gasohol, which has attracted more U.S. government encouragement in recent years than any other energy source, has been fading — the result of an oversupply of crude oil and the Reagan administration's efforts to curb federal spending.
Enthusiasm for gasohol, a mixture of nine parts gasoline to one part alcohol, was born amid farmers' anger over the restrictions on grain sales to the Soviet Union and consumers' concern about the shutdown of Iran's oil fields. The fuel seemed a way for United States to cultivate its way out of the energy crisis, drawing on its unrivaled agricultural strength.
The administration of former President Jimmy Carter and Congress responded to the apparent groundswell by pledging subsidies for gasohol exceeding \$30 billion in 1982, making it, gallon for gallon, by far the most heavily subsidized fuel.
But over the past few months, the White House has slashed funding for gasohol plants, large projects have stalled and major oil companies have drastically curtailed gasohol operations.
'It's a very risky, dicey area right now,' said James Stearns, director of the Energy Department's office of alcohol fuels.
'It made a lot more sense when you were having gas lines than it does in a glut,' said Robert Harner, a spokesman for Ford. 'I don't know what the gimmick is that would make people buy it.'
There have always been doubts about gasohol's energy efficiency, the pressures it might place on the nation's croplands and its inflationary effect on food prices. But the question today is primarily one of practical economics: What is the justification for gasohol when oil supplies are relatively plentiful and prices stagnant?
'There's not really an incentive on the part of the oil companies to use alcohol when their refineries are only running at 65 percent of capacity,' said N. Edward Clark, of the Iowa Corn Promotion Board. This conclusion is buttressed by a number of recent developments:
• Texas, the third-largest oil company in the United States and the biggest gasohol marketer, has withdrawn the product from 14 states in the Northeast and East, saying it was not economical to ship ethanol from the Midwest to mix with the gasoline. It continues to sell gasohol in Indiana, Illinois, Missouri and Kentucky.
• After test marketing in four states, Standard Oil of Indiana has limited gasohol sales to Iowa and Omaha, Neb.
• Phillips Petroleum has announced that it is replacing gasohol with premium unleaded gasoline at three terminals in the Southeast. It is also considering abandoning the 'gasohol' label in favor of something like 'super unleaded with premium,' a step also being considered by most other big oil companies that still sell gasohol.
• Standard Oil of California reports little enthusiasm for gasohol in test marketing and has pulled the product off the market.
'Gasohol was an emotional thing,' said John Grey, the company's president. 'People generally revert to practical things.'
• Signon Corp., one of the nation's biggest independent fuel marketers, abandoned its 'White Lightning' brand of gasohol after a two-year marketing test in south Texas, citing an abundance of gasoline.
• Construction of the world's largest gasohol plant has been postponed indefinitely. Archer-Daniels-Midland had planned to build the plant in Des Moines at a cost of \$250 million. A number of smaller plants in Iowa, which accounts for a third of national gasohol consumption, have also been delayed.
Nevertheless, production of ethanol for use in gasohol is expected to range 150 million to 200 million gallons this year, an increase of about 50 million from 1980, according to Mr. Stearns. And if planned processing facilities are built, output could rise to 500 million gallons by 1985.
But producers and planners have depended on a system of grants, loan guarantees and subsidies the Reagan administration budget now excludes.
From the standpoint of the big oil companies, gasohol and other new fuel sources must be weighed against today's oil surplus, which is principally the result of sharply reduced demand for petroleum products. At the same time, the costs of carrying oil inventories has skyrocketed as a result of high interest costs.
W. German Sales Decline
WIESBADEN, West Germany — West German retail sales fell 2 percent in October from a year earlier, after a 4 percent decline in September, provisional statistics office figures showed Tuesday. Sales in the first nine months of 1981 stood 3 percent lower than in the first nine months of 1980.

Selected Over-the-Counter

Table with columns for Closing Prices, Dec. 15, 1981, listing various securities and their prices.

U.S. May Resume Buying Iraqi Oil

United Press International
NEW YORK — The United States plans to resume imports of crude oil from Iraq after a two-year gap because the Arab nation has eased its boycott and destination restrictions, Petroleum Intelligence Weekly reports.
'One leading U.S. independent refiner has now concluded a one-year contract to buy 30,000 barrels a day of light Iraq oil shipped from pipeline terminals on the Mediterranean, while another U.S. firm is to start contract negotiations this week,' PIW said Monday.
Most U.S. oil companies were forced to abandon purchases of Iraqi oil when the Baghdad government lifted its boycott provision in 1979 and 1980 — a policy that conflicted with tough U.S. anti-boycott laws, the newsletter said.

Nigerian Plan to Trim Oil Price Is Reported

Reuters
BAHRAIN — Nigeria is to cut the price of its medium-grade crude oil by \$1.45 a barrel to \$33.75, the Middle East Economic Survey said Tuesday. It said Nigerian light oil will remain at \$36.50.
Some Gulf producers agreed at an OPEC meeting in Abu Dhabi last week to cut prices from 20 cents to 70 cents a barrel on some crudes. MEES said Nigeria insisted on the cut to bring its medium crude into line with the new prices for similar grades in the Gulf.

Dutch to Aid Beira Project

The Associated Press
LISBON — The Netherlands has pledged \$12 million toward a four-year, \$159-million expansion program for the Indian Ocean port at Beira, Mozambique, the Mozambique government said Tuesday in a report carried by the Portuguese national news agency.

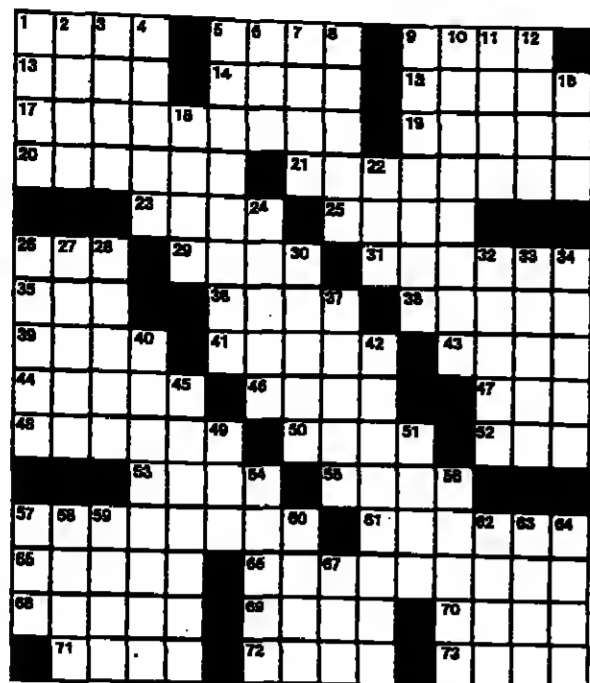
Advertisement for Texas Eastern Finance N.V. featuring \$75,000,000 in 15 7/8% Guaranteed Notes Due 1988. Includes a list of international banks and financial institutions.

Main table of AMEX Nationwide Trading Closing Prices Dec. 15, listing various stocks and their prices.

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CROSSWORD

Edited by Eugene T. Malachuk



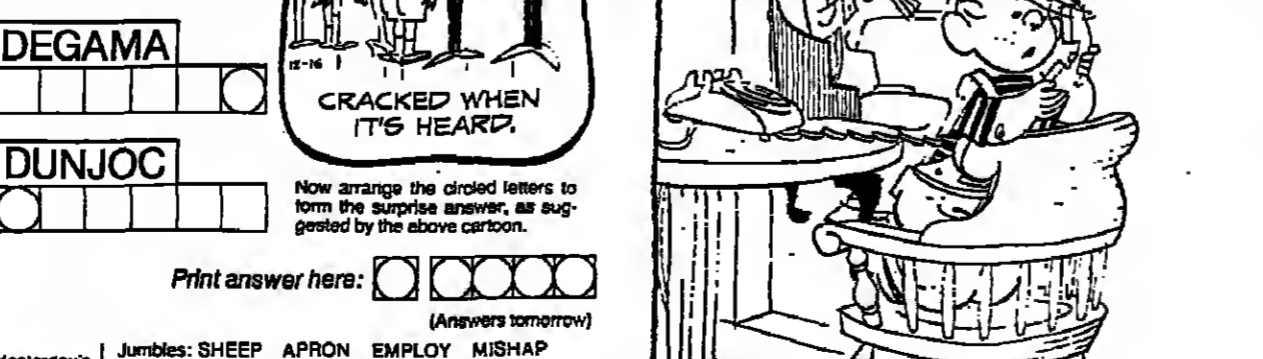
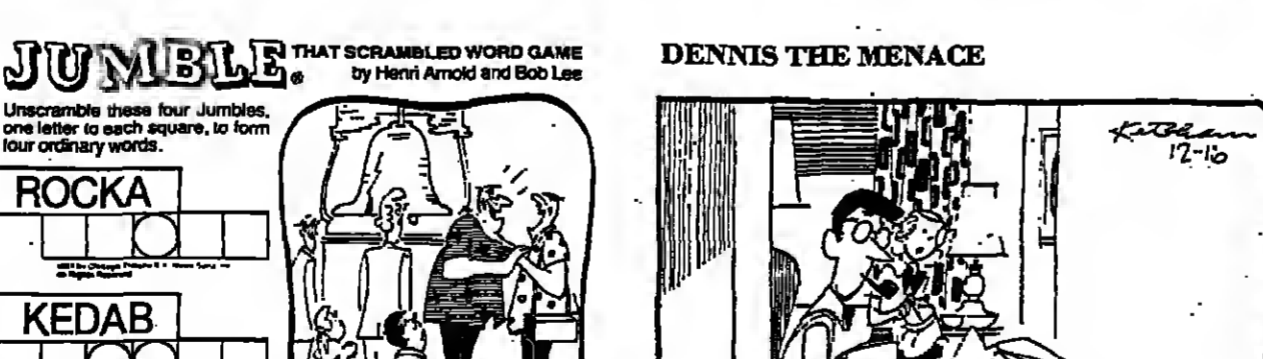
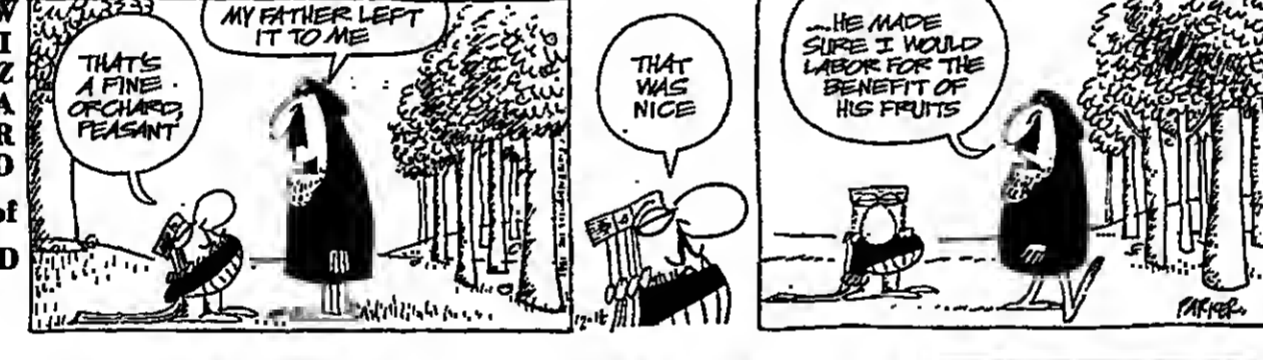
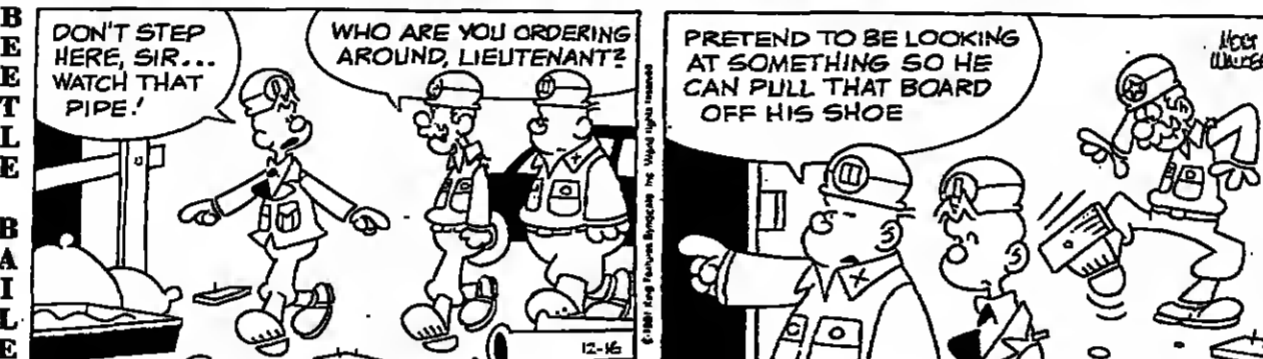
- ACROSS
1 'way to go'
5 Body
9 Greek letters
13 False god
14 Hermit, e.g.
17 King Arthur's weapon
19 Cow catcher
28 'Three's Company' is one
21 Sitter in danger
23 Malayan dagger
25 Post
26 Singer Davis
28 Relative of etc.
31 Considered
35 Wing
38 W. W. II powers
39 Was at the wheel
41 Thunder unit
43 Gads
44 Dispatch a fly
44 Its pulp is a food source
46 Lamp part
47 Nigerian city
49 Explated
52 German article
53 The same, to Seneca
55 Did the butterfly

WEATHER

Table with weather forecasts for various cities including ALABAMA, ALGERIA, AMSTERDAM, ANKARA, ATHENS, AUCKLAND, BANGKOK, BEIRUT, BELGRADE, BOSTON, BRUSSELS, BUCHAREST, BUDAPEST, BUENOS AIRES, CAIRO, CAPE TOWN, CASABLANCA, CHICAGO, COPENHAGEN, COSTA DEL SOL, DAMASCUS, DUBLIN, EDINBURGH, FLORENCE, FRANKFURT, GENEVA, HELSINKI, HONG KONG, HOUSTON, ISTANBUL, JERUSALEM, LAS PALMAS, LJMA, LISBON, LONDON, LOS ANGELES.

ADVERTISEMENT INTERNATIONAL FUNDS

Table listing various international funds and their performance metrics, including BANK OF AMERICA, CAPITAL INTERNATIONAL, CREDIT SUISSE, DIT INVESTMENT FRANKFURT, FIDELITY, G.T. MANAGEMENT (UK) LTD, INTERNATIONAL INCOME FUND, JARDINE FLEMING, LLOYDS BANK INTL, PARIBAS GROUP, RBC INVESTMENT, ROTHSCHILD ASSET MGMT, SOFID GROUP, SWISS BANK CORP.



BOOKS

FUNERAL GAMES

By Mary Renault. 335 pp. \$14.50.

Pantheon, 201 East 50th Street, N.Y. 10022.

Reviewed by John Leonard

WHEN Alexander the Great decided to be a god, the Spartans were willing to go along with him. They decreed: "Since Alexander wishes to be a god, let him be a god." They took gods less seriously back then. Gods, in the fourth century B.C., were in the habit of dying, just like anybody else.

And Alexander did die, in 323 B.C. in Babylon, of swamp fever (according to Mary Renault) or a drunken binge (according to most encyclopedias). No matter why, he felt bad because his good friend Hephaestus, with whom he might have gone to bed when they were school chums, predeceased him. And, while feeling bad and dying, he failed to enunciate a will, to name an heir. And, being dead, he would be mourned with sufficient zeal only by Ptolemy, the Persian boy, a eunuch, who had played with Darius before he loved Alexander.

Or so Mary Renault imagines. The Persian boy must have existed, just like the charioteer, although, on the occasion of Alexander's demise, he vanished from history. Renault insists, contrary to the clay tablets, that he carried a torch, not to mention a spy, for the dead rascal, that he was a savior for Ptolemy in Egypt. Renault wants love without power.

Power was the problem when Alexander met his shade. Like any god, he thought he was immune to shades. His lovely Mediterranean empire had to be divided up. Two pregnant queens were on their way to Babylon. After the usual intrigue and poisoning, one gave birth to a boy. Meanwhile, Alexander's idiot brother enjoyed the idea of kingship, and various generals grabbed Egypt, Persia and Macedonia. Renault enjoys the idea of this strange Philip as Robert Graves enjoyed the idea of Claudius. All kings are fools who want to be gods. The "mystery" of Alexander is that he almost got away with it.

Renault seeks a vernacular appropriate to myth, and fails to find it. Trusting almost no one, he had trusted her and told her everything. Intrigue, revenge and treachery had been daily weather. The result is a kind of comic bookishness, a mocking-epic with too many elbows in the ribs. Whatever else he might have been, Alexander wasn't funny.

Children, before going on to T.H. White and then graduating to Robert Graves, will enjoy this novel. Specialists will admire the liberties Renault has unlicensed. I go along with Cleopatra: "Yes, I dare say. But it is all disgusting. Has she no shame at all? Well, you have dangers enough without my making more for you. If Alexander were willing to give it countenance, I suppose I can do the same."

John Leonard is on the staff of The New York Times.

Best Sellers

Table listing best-selling books including 'AN INDECENT OBSESSION', 'THE HOTEL NEW HAMPTON', 'CUJO', 'NO TIME FOR TALK', 'NOBLE HOUSE', 'THE LEGACY', 'SPRING MOON', 'RABBIT IS RICH', 'THE CARDINAL SINS', 'GORKY PARK', 'THE LAST DAYS OF AMERICA', 'MASQUERADE', 'BREATH UPON THE WATERS', 'THE THIRD DEADLY SIN'.

NONFICTION

Table listing non-fiction books including 'A LIGHT IN THE ATTIC', 'THE LORD GOD MADE THEM ALL', 'NEVER-SAY-DIET BOOK', 'PATEFINDERS', 'FROM BAUBAUS TO OUR HOUSE', 'HOW TO MAKE LOVE TO A MAN', 'THE BEST OF DEAR ABBY', 'ELIZABETH TAYLOR: The Last Year', 'ELVIS, by Albert Goldman', 'THE SOUL OF NEW YORK', 'CHINESE, by Tracy Kidder', 'A FEW MINUTES WITH ANDY', 'ROCKY, by Andrew A. Ross', 'MISS MCGOPPE'S GUIDE TO LIFE', 'THE CINDERS CONNECTION', 'THE SEVERAL HILLS DIST', 'Judy Meece'.

Solution to Previous Puzzle

Grid solution for a crossword puzzle: CHAP, GOLD, WILD, LOSE, EAGER, JOEA, ALTA, TURDE, DEMY, WEIGHTLESSNESS, TIRK, SEW, PROSTY, SAIO, RAH, EIRE, ODEA, TGA, SMATH, ODEA, TGA, CHINE, BY TRACY KIDDER, MAN, BY ALEXANDER, PUNNY, THE BEST OF DEAR ABBY, BY ALBERT GOLDMAN, THE SOUL OF NEW YORK, CHINESE, BY TRACY KIDDER, A FEW MINUTES WITH ANDY, ROCKY, BY ANDREW A. ROSS, MISS MCGOPPE'S GUIDE TO LIFE, BY MRS. PEGGY AS TOLD TO LIZZY, THE CINDERS CONNECTION, BY COLLEEN DOWLING, THE SEVERAL HILLS DIST, BY JUDY MEECE.

BRIDGE

By Alan Truscott

A MILDLY unorthodox opening lead by West eventually led to the declarer's downfall on the diagrammed deal. After his opponents had reached four hearts by a standard route, he chose to lead the spade four instead of the orthodox seven spot. East's queen was captured by the king, and diamonds were played. South ruffed the third round in his hand and cashed the Queen-Ace of hearts, uncovering the bad trump split. He then ruffed dummy's last diamond with his heart ten, and West made the key play of refusing to over-ruff. Instead, he discarded his remaining spade to leave this position:

Bridge hand diagram showing North and South hands with cards and suits. Includes a table for the hand: NORTH (D) ♠A93, ♥AK82, ♦AK86, ♣J8. WEST ♠74, ♥J93, ♦Q103, ♣K642. EAST ♠Q852, ♥10, ♦75, ♣AQ75. SOUTH ♠KJ108, ♥Q1074, ♦75, ♣1093. Text: 'Neither side was vulnerable. The bidding: North 1♣, East Pass, South 1♥, West Pass. South led the spade four. West led the spade four.'

A Cheater's Guide to Basketball Recruiting

By Ken Denlinger
Washington Post Staff Writer
WASHINGTON — First, a disclaimer: This is not meant as assistance for college basketball cheaters. But, admittedly, it is a worded guide on how to cheat your way out of college punishment.

head coach, maybe even a personality, somebody the country's seen on television. Maybe he's writing a newspaper column. Not some Joe Blow who'll crack under pressure.

"I'd say I'd think like a lawyer, attack 'em on every possible ground, thwart 'em at every stage using legal means.

Past Masters at Play Past Their Primes

By Rob Hughes
International Herald Tribune
LONDON — If there is a greater sporting irony than that of the aging superstar stumbling back into the rhythm of the dance were what perplexed his team?

final chance came his way last week when Middlesbrough of the English First Division obtained him from the North American Soccer League.

SOCCER SCENE

Meanwhile, Liverpool came home full of excuses rather than praise for the Brazilians of Flamengo who, in Tokyo last Sunday, crushed them, 3-0.



Johan Cruyff

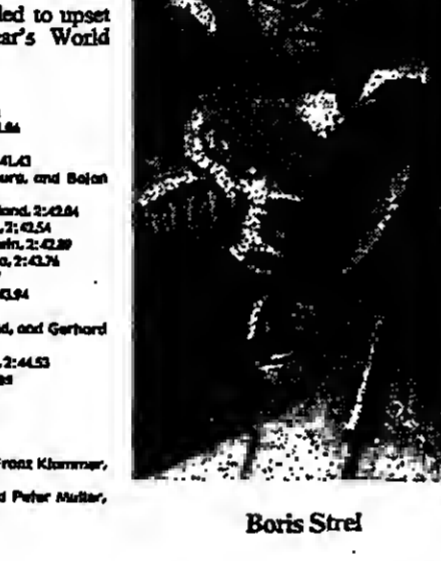
NBA Leaders

Table with columns for Player, Team, FG, FT, REB, P, A, and other statistics for various NBA players.

Strel Upsets Mahre in Giant Slalom

From Agency Dispatches
ORTINA D'AMPEZZO, Italy Boris Strel of Yugoslavia upset Mahre to win the United States slalom in his first World Cup victory in a giant slalom ski race here today.

2:41.72. Primin Zurbriggen of Switzerland was sixth in 2:42.04.



Boris Strel

CLASSIFIED ADVERTISEMENTS (Continued from Back Page)

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NCAA Keeps Control of College Football TV

By Gordon S. White Jr.
New York Times Service
NEW YORK — The National Collegiate Athletic Association has won, at least for the time being, its effort to retain control over all regular-season telecasts of college football.

Monday's victory was achieved when a tentative four-year, \$180-million agreement between NBC Television and the College Football Association — comprising 61 schools with some of the nation's most powerful teams — fell through.

Los Angeles — Wendell Tyler ran for two touchdowns to lead Los Angeles to a 21-16 victory over Atlanta Monday night, dampening the Falcons' National Football League playoff hopes.

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Transactions

Table listing various transactions in baseball, football, and college sports, including player names, teams, and details.

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HONESTY ESCORT SERVICE Tel: 233143.

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AMSTERDAM
ESCORT GUIDE SERVICE Tel: 247721.

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NFL Standings

Table showing NFL Standings for American and National Conferences, including teams, wins, losses, and percentages.

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ESCORT GUIDE SERVICE Tel: 247721.

Observer

Marathon Spending

By Russell Baker

NEW YORK — "Let's go Christmas shopping," said the voice on the phone. "Who's this?" "Mobil."



Baker

I hadn't heard from Mobil for a long time. In the old days I'd know him as Mobil Clinkscals and everybody called him Mobil.

Anyhow it was flattering to be invited to go shopping with Mobil. I picked him up at his place. "Got your credit cards?" I asked.

"I prefer to use cash. That way you don't have to wait at the counter while the sales clerk checks with the police to see whether you're using a stolen credit card."

"I noticed he had put on several hundred pounds. "Now I see why they call you 'Big Oil,' Mobil."

"This weight isn't me," he said. "Mostly it's my cash."

He parted his cash-lined clothes nervously. "Do you think five billion is enough?" he asked.

"Why don't you take six billion just to be on the safe side? You might see a nice South American republic that would look cute in your Christmas stocking."

to sell you Conoco. Don't try to tempt us again. But we have some very nice perfumes. Mobil became grave. The United States, he told the manager, confronted terrible problems. It had lost its way. Its faith in free enterprise was failing. What was the country coming to when a man had to suffer the itching caused by two billion bucks sewn in his undershirt because they wouldn't let him buy Conoco?

"I despair for the future," the manager said. "What?" I cried. "You despair when America has men like Mobil Clinkscals at the corporate reins? Shame!"

Mobil placed an arm around me. "Old friend," he said, "fortunately America still has a few like you who understand. I want to do something for you."

He gave me the jacket and shirt off his back. "There's three billion bucks sewed into these garments," he said. "Nip up to the petroleum notions counter and buy me the Marathon Oil Co."

The manager chased me up the escalator, raced ahead and put a "Not For Sale" sign on Marathon Oil. "United States Steel phoned me," he said, "and asked us to hold Marathon Oil."

Mobil laughed when I told him. In that case, he said, he'd just buy U.S. Steel. The manager had another suggestion. "We have a nice assortment of tax credits for sale," he said. "May I show you some?"

He produced several corporations with big losses on their books. Because of their losses they were entitled to big write-offs, but since they didn't have any profits they had no taxes to write off.

This Christmas, thanks to President Reagan's new tax code, a fellow like Mobil could buy these tax credits from his own tax bill.

The Shar-Pei

With 'Socks Around the Hocks' and Hippo Head, Some Consider It the Homeliest Dog in the World

By Kay Powers

AUSTIN, Texas — Tell left Stark his dogs are the ugliest dogs you have ever seen and he will grin and say, "I know. Stark, an enterprising 17-year-old high school senior, is into raising shar-peis, the Chinese fighting dogs that may be the homeliest canines in the world."

And just how ugly is a shar-pei? "Well, the head is supposed to be like a hippopotamus, with a big 'meat mouth,' deep-set eyes and a scowling expression that comes from lots of wrinkles," says breeder JoAnn Webster of Round Rock, from whom Stark purchased his first shar-pei last June.

Breed standards, she says, call for elite shar-peis to have "socks around the hocks," meaning deep folds of skin falling around their ankles, hippo heads with small, forward-folding ears and a dewlap (sagging skin under the throat) that would be a dowager's despair. Their coats look soft and velvety, but are so rough to the touch they feel like sandpaper. "That's how the breed gets its name — shar-pei means 'sand skin' in Chinese," she explains. "And since they are bred for fighting, the harsher the coat, the better, since those bristles hurt the mouth of the opponent."

Stark's shar-peis are so wrinkled, he can pick one up by the neck and the dog droops way down in its funny sack of skin. "Veterinarians have the funniest reaction when they first see one," Stark says. "They are just so sure the dog has something wrong with it all dehydrated or something, they can't believe they're looking at a normal dog."

Stark hankered to see a shar-pei after he read about the breed in the "Guinness Book of World Records." When Webster, a oecumenical central Texas, advertised some pups for sale in June, he called her and asked to see them.

And, although he burst out laughing when he saw them, "I wanted one real bad, I knew I had to have one," he recalls. Now, with four females, a male and five funny little 6-week-old puppies, Stark has almost as many shar-peis as there were in all of China just 10 years ago when the breed was almost extinct.

At one time, there were probably 20,000 shar-peis in China, where the breed dates back to the Han dynasty, Webster says. The tough, sturdy little dogs, which generally weigh from 40 to 55 pounds, were greatly admired by the Chinese for their fighting ability and were used to hunt wild boar and keep predators from livestock.

When Mao Tse-tung came to power, however, the shar-peis were taxed as luxuries, Webster says, "and people who couldn't af-



A pair of shar-peis, who get their name from their sandpaper-like skin.

ford to pay the taxes on their dogs began eating them."

In 1971, with perhaps only a dozen of the dogs left, a Hong Kong breeder put a plea in Dog magazine asking Americans to help him save the breed from extinction. Although importing the dogs and puppies proved expensive and difficult, Americans were successful in bringing several out of China and the first litter of shar-peis was born in the United States in 1973.

Now, although the population of shar-peis is becoming well established in the United States, the dogs still command a handsome price, with good quality puppies selling for \$1,000 to \$2,000, and adults even more. With any luck, Stark's confidence he will be able to pay his way through the University of Texas, or perhaps Texas A&M's College of Veterinary Medicine, with his p.s.

A shar-pei to a fight has a distinct advantage over his opponent, because he can turn clear around in his skin, Stark says, picking up Gilligan, a rambunctious youngster not quite a year old, to demonstrate. As a shar-pei matures, its tongue and mouth get black, very much like those of the chow, to which it is closely related. "Drive around with a car full of shar-peis and you'll attract attention anywhere you go," Webster says. "People stop and stare, and pull up next to you and ask what kind of animals you have. They just can't believe they're dogs."

Webster, who registered her Fingertail Kennel in 1978, says the dogs are natural show-offs. "They love attention, they crave it, as a matter of fact, and they will entertain you to get it," she says.

Four to seven shar-peis make up a typical litter, and a newborn pup weighs about a pound. They are so wrinkled they gave Jeff Stark the idea for his kennel name — X S Wrinkles. When the pups are old enough to be opening their eyes, the deep folds of skin must be surgically tied back or the pups will not realize they are supposed to see, and grow up blind, Stark says.

Older dogs may outgrow some of their wrinkles, but good specimens retain the ridges of skin around their faces and necks and across their backs. Good specimens also retain the quizzical expression that endears them to shar-pei admirers.

Jeff's mother, Barbara Stark, nominates Elsie as the "ugliest dog in the world" and she may be right. Elsie, a rarity because she grew up without overgrowing her wrinkles, has mottled pink-and-fawn skin, a piggy expression on her face and enormous dewlaps of skin around her neck that can be stretched out like Dumbo's elephant ears. The skin on Elsie's tummy is growing somewhat taut, since she is due to have a litter soon. But the skin on her legs sags and bags around her ankles for all the world like too-high pantyhose on a skinny little old lady.

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PEOPLE: Sightings Are Reported Of Dinosaur-Like Animal

A California couple, finishing six exhausting weeks at a swampy jungle lake, say they have seen and possibly photographed a dinosaur-like creature similar to one described in native tales for centuries. Herman and Rita Regusters of South Pasadena, in a cable to John Sack in Los Angeles, said they, cameraman Darby Switzer and five African officials, made three sightings of the mako-membe — a beast described by natives for at least 200 years and thought by some to be a survivor of a dinosaur species believed extinct for 60 million years. Regusters, a 47-year-old consulting engineer, and his wife flew to an airstrip 90 miles from Lake Tele, 500 miles inland, then after a 50-mile journey by dugout canoe and a 40-mile hike through swampy terrain, they reached the lake on Oct. 27. In the cable, Sack said, Regusters described the creature as "dark brownish in color, skin appeared slick and smooth, long neck, small head, snake-like. Regusters said the animal was 'not identifiable to native hunters, Congolese forest rangers or us.' Sack said that Regusters reported that on a later sighting, "Possible photo taken, [but] severely handicapped by marginal light conditions." He said the expedition did not have a special camera capable of photographing in the dark. In none of the sightings did the animal fully emerge, so its lower body was not visible, Regusters said. Another dinosaur-hunting expedition, headed by University of Chicago biologist Roy Mackal, recently returned from the same general area with reports of finding huge footprints.

national as their path of the year, was voted No. 1 box-office attraction in the United States in the 50th annual Outley Publications poll of motion picture exhibitors across the country. For the fourth consecutive year the dashing, unattached Reynolds has topped all other movie stars in his ability to bring patrons to the box office. Runner-up was Clint Eastwood, who has appeared in the list for 14 years. The late John Wayne had more staying power than any star. He holds the lead with 25 appearances on the list from 1949 to 1974. Following Reynolds and Eastwood in this year's poll were Dudley Moore, Dolly Parton, Jane Fonda, Harrison Ford, Al Pacino, Bo Derek, Goldie Hawn and Bill Murray.

"Atlantic City" edged out Warren Beatty's "Reds" for top honors in this year's awards by the Los Angeles Film Critics Association. "Atlantic City" was named Best Picture of 1981 and also picked up a best actor award for Bert Lancaster, and best screenplay award for John Guare. "Reds" won three awards — for Beatty as best director, Maureen Stapleton as best supporting actress and for best cinematography. Other awards went to Meryl Streep as best actress in "The French Lieutenant's Woman," to Sir John Gielgud as best supporting actor for his portrayal of a butler in "Arthur," to Randy Newman for the score of "Ragtime" and to the Brazilian "Pixote" as the year's best foreign film. . . . Bert Reynolds, honored Sunday by the Variety Clubs Inter-

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